

Questions for Enbridge

Referring to Enbridge Submission Background point #11

From the Crozier Report,

“The Board has therefore concluded that for lenticular pools, annual storage acreage rental could range from \$1.00 to \$4.00 per acre of the designated area depending on the capacity and other characteristics of the pool.”

The Crozier report also offered a range of fair and reasonable compensation rates for pinnacle reef pools. This range was \$5 - \$15 per acre.

Question #1 for Enbridge:

Given that the better quality lenticular pool would receive almost the same compensation as the poorer quality pinnacle reef pool (\$4 vs \$5), does Enbridge agree that it is fair to conclude that the Crozier Report endorsed compensation rates that were almost identical between a lenticular pool and a pinnacle reef pool?

Question #2 for Enbridge:

Does Enbridge agree that it is fair to conclude that the Crozier Report recognized that a wide range of compensation rates would apply to both lenticular pools and pinnacle reef pools depending on their capacity and other characteristics?

Referring to Enbridge Submission Background point #17 and #19

Accompanying this Submission of Questions are copies of documents presented to Mr Babirad upon taking ownership of the property in 1957.

Quoting from the Charles A. Kramer Declaration,

“That the Gas Lease Registered #12457 dated 23rd June 1930 and registered on the 5th day of December 1930 in favour of W. C. Patterson has terminated and no renewal has been executed.”

Mr Babirad has never signed a P&NG lease with Consumers Gas Syndicate/Consumers Gas/Enbridge or any other entity.

Mr Babirad has never received any compensation from a P&NG lease.

Question #3 for Enbridge:

Does Enbridge assert that a valid P&NG lease existed between Enbridge (Crowland Gas Syndicate/Consumers Gas) and Mr Babirad at any time?

Referring to Enbridge Submission Background point #32

A clarification of Mr Chupa's summary of a conversation between Mr Chupa and Mr Babirad on June 25, 2013.

With reference to point (a),

Mr Babirad communicated to Mr Chupa that he had rejected a proposal from Enbridge (Consumers Gas) to sign a storage lease that offered Mr Babirad \$1 per acre for 42 acres for the next 20 years.

Mr Babirad told Mr Chupa that he received \$800 from Enbridge (Consumers Gas) around the summer of 1965 in exchange for the property's mineral rights.

With reference to point (b),

Mr Babirad never contacted Consumers Gas about future payments (or anything else) in 1984.

Referring to Enbridge Submission Background point #39(a) and #41

According to data obtained from the Ontario Oil, Gas and Salt Resources Library, the Crowland Pool's peak day deliverability is 35mmcf/day. However, on September 6, 1977 Enbridge (Consumers Gas) applied to the Minister of Natural Resources under the Petroleum Resources Act 1971 for permits to drill wells "in order to increase the deliverability of the Crowland Pool from 35mmcf/day to 45 mmcf/day."

Question #4 for Enbridge:

As of March 2015, what is the Crowland Pool's peak day deliverability expressed in mmcf/day?

Based on the OGSR Library data there are at least 7 pinnacle reef pools whose peak day deliverability (expressed as mmcf/day) is less than or equal to the Crowland Pool.

Enbridge's background point #41 states that,

"By any reasonable measure, the Crowland Pool is significantly outperformed by any pinnacle reef pool in respect of which Enbridge makes storage lease payments."

Question #5 for Enbridge:

Why does Enbridge not consider peak day deliverability (expressed as mmcf/day) as a reasonable measure?

Referring to Enbridge Submission Background point #39(b)

Question #6 for Enbridge:

On a dollars basis, what percentage of the company's operating and maintenance budget does the Crowland Pool absorb?

Referring to Enbridge Submission Background #39(c)

Quoting from background point #39(c)

"In contrast, the Crowland Pool is not operated as part of an integrated system. It is isolated and primarily used to support Enbridge's Niagara Region gas distribution system."

Question #7 for Enbridge:

What percentage of the Crowland Pool's storage operations are devoted to utility versus non utility (unregulated storage) services?

Quoting from Section 4.3 of the Enbridge financed Elenchus Report **An Assessment of Reasonable Compensation Amounts to the Enbridge Gas Distribution Inc. Crowland Gas Storage Leaseholders**

"The one exception to the integrated nature of the LCKHC reservoirs would be the Tipperary Reservoir that feeds into Union's local distribution system..."

Question #8 for Enbridge:

Is it not true that despite being isolated and not being connected to the "integrated system" the landowners of the Tipperary Pool receive the Lambton benchmark rate?

At an OEB hearing on July 14, 2006 (EB-2005-0551) Mr Robert Craig who at the time was Director of Gas Storage for Enbridge commented,

"Now, beyond the pinnacle reef belt there hasn't been a lot of storage that's been developed in Ontario. Enbridge Gas Distribution has the only sandstone pool that is in the Niagara peninsula, the Crowland pool. It's a small pool, and its strategically located within their franchise area"

There must be strategic benefits to being located within the franchise area.

Question #9 for Enbridge:

Would Enbridge please provide some examples of the strategic benefits of being located within a franchise area that its Director of Gas Storage in 2006 was referring?

Under the heading CME INTERROGATORY #9 of EB-2014-0276 Enbridge noted,

“Included in the Company’s 2015 supply plan is the acquisition of 11.4 Bcf during the months of November and December 2015 to be delivered at Niagara. While the Company is negotiating with various suppliers for the delivery of gas at the Niagara inter-connect, it can be assumed that these supplies will originate from the Appalachin Basin.”

The Appalachin Basin is currently the least expensive source of natural gas for Ontario’s end users. The two main import points of Appalachin Basin shale gas are located 20km (Chippewa interconnect) and 40km (Niagara interconnect) from the Crowland Pool.

Question #10 for Enbridge:

Would it be accurate to suggest that the Crowland Pool’s location in Niagara will save Enbridge’s customers in the Niagara Region the operating cost of shipping the Appalachin Basin gas through TCPL’s Niagara pipeline then Union’s Kirkwall interconnect and then down Union’s pipeline to the Dawn Hub and then back again to the Niagara Region?

Question #11 for Enbridge:

Are there any other benefits of having a storage pool located so close to the Niagara/Chippewa import points for Appalachin Basin shale gas?

Referring to Enbridge Submission Background point #49

Quoting from the Executive Summary of the Enbridge financed Elenchus Report,

“Elenchus is of the view that the principles established in the Crozier Report are still valid and result in just and equitable compensation for storage leaseholders. The annual compensation amounts (\$/acre) to Crowland leaseholders should take into account both the “use and usefulness of storage” (Principal #8 from Crozier Report) as well as the relative quality of the Crowland reservoir compared to other storage reservoirs (Principal #6 from the Crozier Report).”

Principle #6 from the Crozier Report,

“Storage rental payments should be based upon the capacity and performance rating of the storage reservoir”

There exists a wide variation in the capacity and performance rating of all the storage reservoirs in Ontario. Every storage pool in Ontario except for the Crowland pool receives the same Lambton benchmark rate as a storage rental payment.

The Elenchus Report only requires Principle #6 of the Crozier Report to be applied to the Crowland pool. According to the Elenchus Report, all other storage reservoirs in Ontario do not have to satisfy Principle #6 of the Crozier Report.

Question #12 for Enbridge:

Of all the storage reservoirs in Ontario, why does Enbridge require that only the Crowland pool satisfy Principle #6 of the Crozier Report?

Quoting from section 6.4.2 of the Enbridge financed Elenchus Report,

“Elenchus also reconsidered developing a uniform payment (\$/acre) that would be paid to Crowland leaseholders using the LCKHC compensation amounts. This too was rejected as it creates an inequity with the other higher quality reservoirs in LCKHC.”

Both the Enbridge financed Elenchus Reports’ data on capacity (mmcf/acre) as well as the Ontario Oil, Gas and Salt Resources Library data on capacity (mmcf/acre) highlight a vast difference in the relative attractiveness of all the various storage pools.

The Payne Reef, Dow Moore and Waubuno reservoirs average about 22.3 mmcf/acre. The Black Creek, Heritage and Edy’s Mills reservoirs average about 2.1 mmcf/acre. The higher quality pools are over 10 times more attractive than the lower quality pools based on the productivity metric that the Crozier Report emphasized as being the most important.

All of the landowners in the above mentioned pools receive the same Lambton benchmark compensation rate. An inequity exists right now under the current industry practice since the landowners of Payne Reef, Dow Moore and Waubuno should receive roughly 10 times more \$/acre than the landowners of Black Creek, Heritage and Edy’s Mills.

Question #13 for Enbridge:

If Enbridge is rejecting the concept of uniform payments for all storage pools because of inequity, why does Enbridge accept the industry’s current system given the inequity imposed upon the landowners of Payne Reef, Dow Moore, Waubuno and the other higher quality reservoirs?

Quoting from section 6.2 of the Enbridge financed Elenchus Report,

“It is clear that from the onset that while there has been a historical relationship between these payments; the level of payments made to Crowland leaseholders has been less than the payments made to other leaseholders.”

In 1965 Crowland pool leaseholders received \$1/acre and Lambton County leaseholders received \$5 - \$15/acre. Fifty years later the Crowland lease holders receive \$6/acre and Lambton County leaseholders receive about \$136/acre.

As it relates to absolute levels or the rate of change in these absolute levels there exists no historical relationship between the Crowland and Lambton County compensation rates. The best one could surmise about the historical relationship between the two is that they both went up.

Question #14 for Enbridge:

What historical relationship does Enbridge believe exists between Crowland landowner's compensation and Lambton County landowner's compensation?

With reference to the graphs of storage leaseholder payments presented in Figure 12 and Figure 13 of the Enbridge financed Elenchus Report.

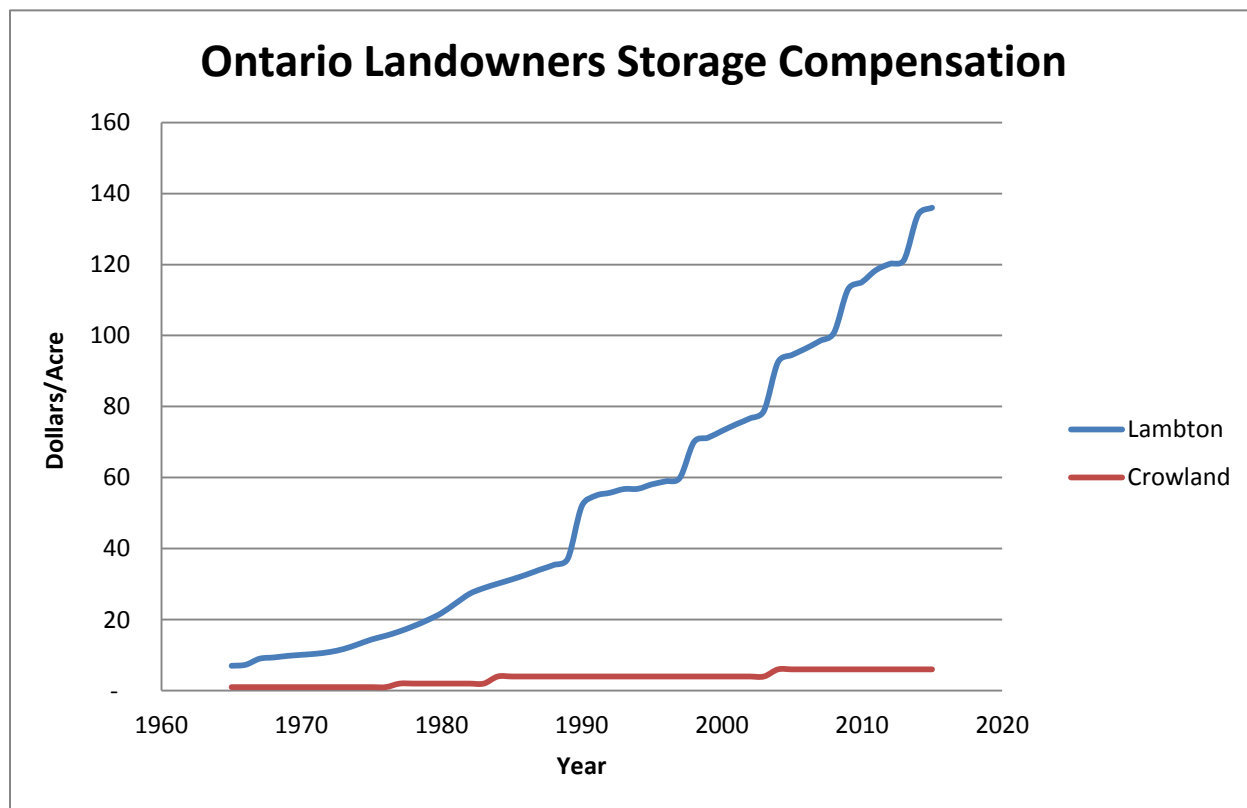
We found the use of two different y-axis scales to graphically illustrate Lambton vs Crowland compensation payments to be questionable at best and offensive at worst.

During initial settlement conversations Enbridge indicated that they hoped we could have “full and frank discussions”. The depiction of these payments in such a manner violates the spirit of having “full and frank discussions” on this important matter for all the Crowland pool landowners.

We are disappointed that Enbridge via its financed Elenchus Report chose to diminish its intellectual integrity by using graphical tricks and illusions in an attempt to prove their point. If one has to resort to gimmicks in order to try to prove a point then perhaps it is time to revisit the veracity of your point.

Question #15 for Enbridge:

Why did Enbridge choose to illustrate storage leaseholder payments using a double sided y-axis graph when a standard one sided y-axis graph (such as the one shown below) was much more appropriate?



G. SMITH MACDONALD, B.A.

BARRISTER AND SOLICITOR

NOTARY PUBLIC

24 CHARLOTTE ST.
PHONE TEMPLE 4-3686

P.O. BOX 171,
PORT COLBORNE, ONT.

May 3rd, 1957.

Mr. and Mrs. James Babirad,
Port Colborne, Ontario.

Re: Purchase from Charles Kramer

Dear Mr. and Mrs. Babirad;

I have now completed the purchase of the Township of Humberstone property from Mr. Kramer having registered in your names, the title deeds, as joint tenants.

You have a good marketable title to this property, free of all encumbrances, in both your names, as joint tenants and not as tenants in common. I am enclosing Deed registered as No. 89606 for the Township of Humberstone, outlining the description of this property, to which I have attached the Sheriff's Certificate.

The description was prepared by Mr. Kramer, and under the circumstances was the best description that he was willing to give us, as he would not agree to having the property surveyed. However, as I explained to you, I have tied the measurements in with the Southern boundry of the Canadian National Railway lands and I think that this description is adequate at this time. Should you sub-divide your property or sell off any parts of this property, I advise you then to have the Surveyor mark it out and measure it for you.

I have also obtained from Mr. Kramer a Declaration that the Gas Lease dated 1930 against the property is no longer in force. I am enclosing this Declaration. I have not registered it on the title so would you please keep this carefully should any future questions arise.

This Declaration also states that Mr. Kramer has had quiet possession of the property since October 16, 1911 and that there are no taxes or any other charges owing against the property. As there is only one copy of this Declaration I wanted you to see it and if you like, for a very small registration fee, I can have it registered as a deposit on title at the Registry Office.


There is \$3,000.00 insurance on the barn and I have sent the Policy with the Bertie and Willoughby Farmers Mutual, to the head office at Ridgeway to have it transferred into your names. When it comes back I will either notify you or mail it to you.

You will notice by the Statement of Adjustments that the balance due to the Vendor was \$3,633.65. At the time of closing I gave Mr. Kramer's solicitor your written agreement concerning hay and other materials on the property, a copy of which I am enclosing. As a result of this undertaking, I succeeded in having the purchase price reduced by \$50.00, and therefore only paid to Mr. Kramer the amount of \$3,583.65.

I am enclosing a Statement showing the amount of money received from you and paid out, and my account which I have deducted from the balance on hand, and I am returning to you 12.00 which is the small credit balance on hand as shown.

I hope that I have settled this purchase for you satisfactorily and I appreciate your letting me handle this business on your behalf.

Yours truly,



G.S.M.-lm.

G. SMITH MACDONALD.

Enclosures.

SHERIFF'S CERTIFICATE

SHERIFF'S OFFICE

WELLAND

Nº 10565

I HEREBY CERTIFY that there are not any Writs of Execution or Extant in my hands up to date,
against the land and tenements of Charles A. Kramer

And that I have not sold any lands in the past six months under any Process whatever in which
the above named part y appeared as defendant.

Dated at Welland, this 1st day of May

A.D. 1957, at the hour of 3:15 o'clock p.m.

Searches.....

100

J. R. Harris
Sheriff, County of Welland.

Dominion of Canada
PROVINCE OF ONTARIO
COUNTY OF WELLAND

In the Matter of

Title of Part of Lot 16,
in the 4th Concession,
in the Township of Humberstone,
in the County of Welland

To Wit:

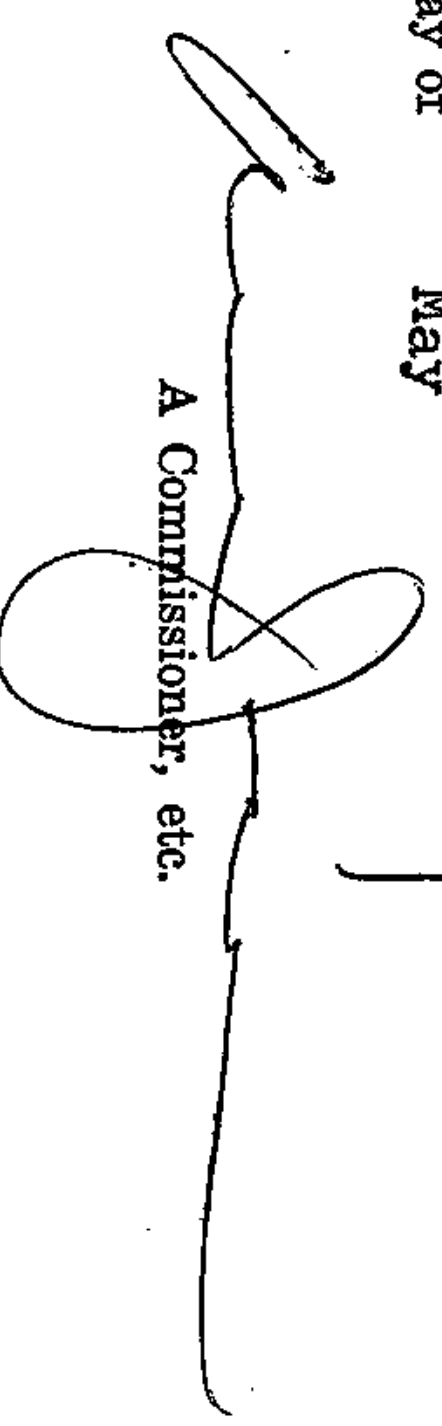
J, CHARLES A. KRAMER
of the Township of Humberstone in the
County of Welland

Do Solemnly Declare, that

1. THAT I am the absolute owner of the within mentioned lands.
2. THAT the Gas Lease Registered #12457 dated 23rd June 1930 and registered on the 5th day of December 1930 in favour of W. C. Patterson has terminated and no renewal has been executed.
3. THAT there is no encumbrance or easement whatsoever affecting the said lands.
4. THAT, either personally or by my tenants, I have been in actual, peaceable, continuous, exclusive, visible, undisturbed, and undisputed, possession and occupation of the said lands, and of the houses and other buildings used in connection therewith, and every part thereof, since about October 16th, 1911.
5. All taxes, rates, assessments and other charges have been paid to and including 1956.
6. THAT I am of the full age of twenty-one years.
7. AND I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath, and by virtue of The Canada Evidence Act.

~~AND I make this solemn Declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act.~~

Declared before me at the City
of Welland
in the County
of Welland
this 1st day of May
A.D., 1957.


A Commissioner, etc.

