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Michael Janigan
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October 16, 2015

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
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Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Final Submissions: EB-2014-0182
Union Gas Limited Burlington-Oakville Pipeline Project

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

cc: Ms. Vanessa Innis, Manager, Regulatory Affairs
vinnis@uniongas.com

EB-2014-0182

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF an Application by Application for leave to construct a natural gas pipelines and ancillary facilities in the Town of Milton and the Town of Oakville and for approval to recover the cost consequences of the development of the proposed Burlington Oakville Project.

FINAL SUBMISSIONS

ON BEHALF OF THE

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

October 16, 2015

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Vulnerable Energy Consumers Coalition (VECC)
Final Argument - Union Gas Limited EB-2014-0182

1 The Application

1.1 The Vulnerable Energy Consumers Coalition has participated in this hearing with a view to ensuring security of natural gas supply to its residential constituents within the Oakville Burlington area both from a present and future standpoint and to ensure that the planned pipeline construction project proposed by Union within the bounds of prudent economic assessment.

1.2 Union Gas Limited ("Union") has requested pursuant to sec. 90(1) of the *Ontario Energy Board Act*, Board approval for Leave to Construct approximately 12 kilometers of NPS 20 natural gas pipeline with a November 1, 2016 in-service date to transport natural gas from the Dawn Parkway System to the Burlington-Oakville System at a cost of $119.5 million.

1.3 Union's case is built on its contention that the proposed pipeline is the least cost alternative to providing the necessary security of supply for franchise customers on the Oakville Burlington system.

1.4 Current pipeline supply design necessitates that 75% of the design day demand of the Oakville Burlington system is supplied with contracted transportation service of which approximately 40% is contracted acquired on an annual non-renewable basis from Parkway on TransCanada's system. The Company has not been able to obtain firm renewable transportation capacity from Trans Canada since 2012.[1]

1.5 Union foresees problems with security of supply arising from the TCPL settlement agreement making it more difficult to contract for firm short-haul transportation capacity and leaving the secondary market as the only alternative to a potential shortfall of 65TJ/D of supply which is 30% of its Design Day requirements[2].

[1] Union Argument-in-Chief paragraph 18
[2] Exhibit A Tab 4

1.6 The charges accruing as a result of Union's resort to the secondary market to meet demand have been substantial since 2011, being $5 million in 2011/2012 and $15 million in 2014-15[3].

1.7 To add to the urgency, Union believes that future growth in attachments the Burlington Oakville system will be unable to be accommodated as soon as the winter of 2016-2017.

2 The Proposed Alternative

2.1 Opponents such as FRPO, OCVG and CME support a transportation service supply plan contemplated in the no build alternative that has been put forward by OCVG/CME witness Ms. Cheung (OGVG/CME "Alternative" or "Alternative Proposal"). The proposal is premised upon transporting the gas in a northerly direction from Niagara/Douglastown ("Niagara") to Burlington and Oakville in the Central Delivery Area ("CDA"). Ms. Cheung concludes the no build alternative is technically feasible and could provide significant savings to Union's customers as compared to the proposed pipeline.

2.2 In its reply evidence Union contends that the alternative does not align with its Gas Supply Planning Principles and that the proposal is more, not less expensive, than the application proposal.

2.3 There is a considerable gap between the DCF analysis of the proposed pipeline of $102.6 million with the net NPV set out in Exhibit A Tab 7 for commercial service alternatives ($151.3 M for the Parkway to Union ECDA) that opponents point to as a possible alternative that would obviate the building of the pipeline for only five years. As well, the alternative proposal omits the $8.3 million one might expect will be due to TCPL for additional contract options[4].

[3] TC Vol 1. Pgs. 145-146
[4] Tr. Vol 2 p.33 / Exhibit C/pg.3

3 Submissions

3.1 VECC agrees with Union that the appropriate economic test for success is to compare the cost of building a pipeline against the avoided cost of purchasing the services. VECC notes that the Board has indicated that there is no obligation on the part of an intervenor to put forth a better forecast than that put forward by an applicant[5] and the onus is always on the applicant to substantiate its claims.

3.2 Nevertheless, it would appear that the weighing of any alternative to the Union application requires a bigger leap of faith and a degree of risk than VECC is prepared to countenance.

3.3 It is clear that Union paints a particularly favourable picture of its proposal to build rather than procure supply as suggested in the Alternative. Union has a vested interest in both the building of additional plant which attracts a return, whereas alternative gas supply does not. It is also clear that the gas supply planning principles of Union embed an objective of increasing activity at its Dawn hub, again an activity which attracts profit for the Utility. The cross-examination by SEC shows that in its effort to dismiss the merits of anything but a built proposal it has somewhat exaggerated the risks of the OGVG/CME Alternative[6].

3.4 In fact, the decision comes down to which is more economical and at what risk. Two issues are important is deciding this: (1) the opportunity to source favourable prices for natural gas from Niagara; and (2) the costs of the pathway from Niagara.

3.5 In essence the argument of the Alternative lies in whether one agrees that there are benefits in procuring gas at Niagara and avoiding, at least for the short to medium term, additional capital spending. The figure below shows the potential benefit of natural gas procured at Niagara: [7]

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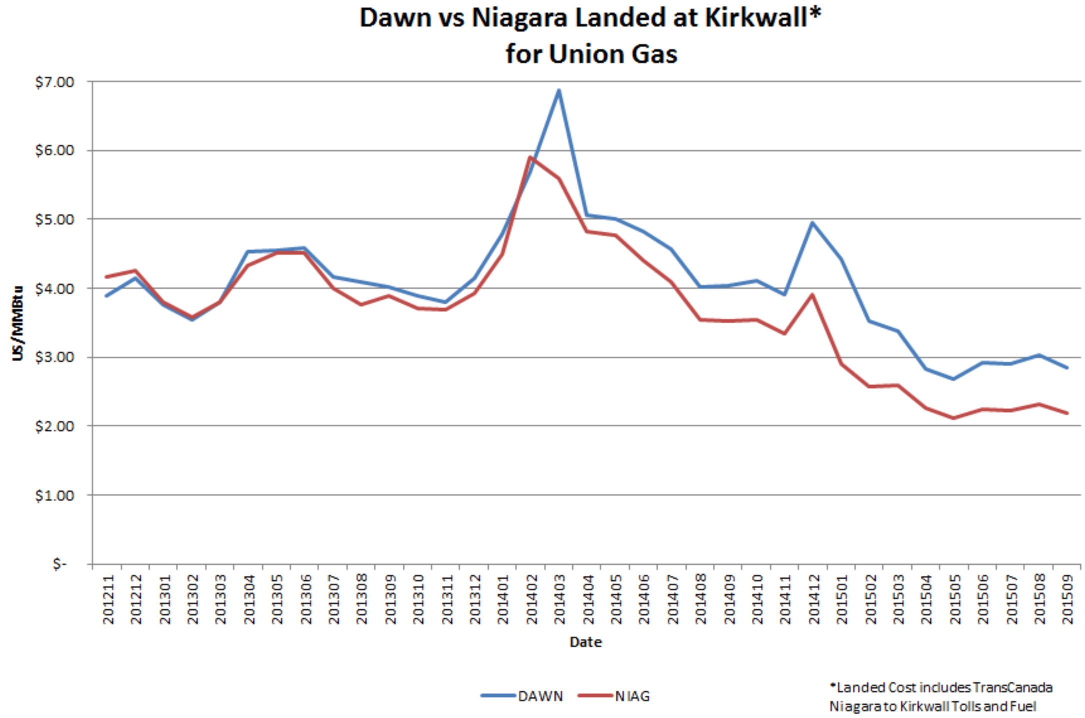
[5] Re: Hydro One Networks , EB 2005-0050, paragraph 68
[6] Tr. Vol 1 pgs. 134-145
[7] Exhibit J1.3

Figure 1



3.6 It is Union's contention that the past benefits of lower gas prices procured from Niagara are over[8]. While Union offers no compelling evidence why this should be the case, VECC would argue that there is a large measure of uncertainty as to the future role of Niagara. Until recently, gas flowed in the opposite direction along this route. The relative newness of the Marcellus/Utica basin gas supply, evolving transportation pipelines and sources of contracting mean that one needs to be cautious of any forecast of future prices (or discovery of those prices) at Niagara. In our submission, in this Application such uncertainty argues for the proposal of the Applicant or perhaps a delay of the project.

3.7 The second facet is whether a Kirkwall Contract is required and what impact that has on the relative costs of the Alternative. The impact of this factor is shown graphically in the figures below.

[8] Tr. Vol 1 pgs. 152-153

Figure 5-4

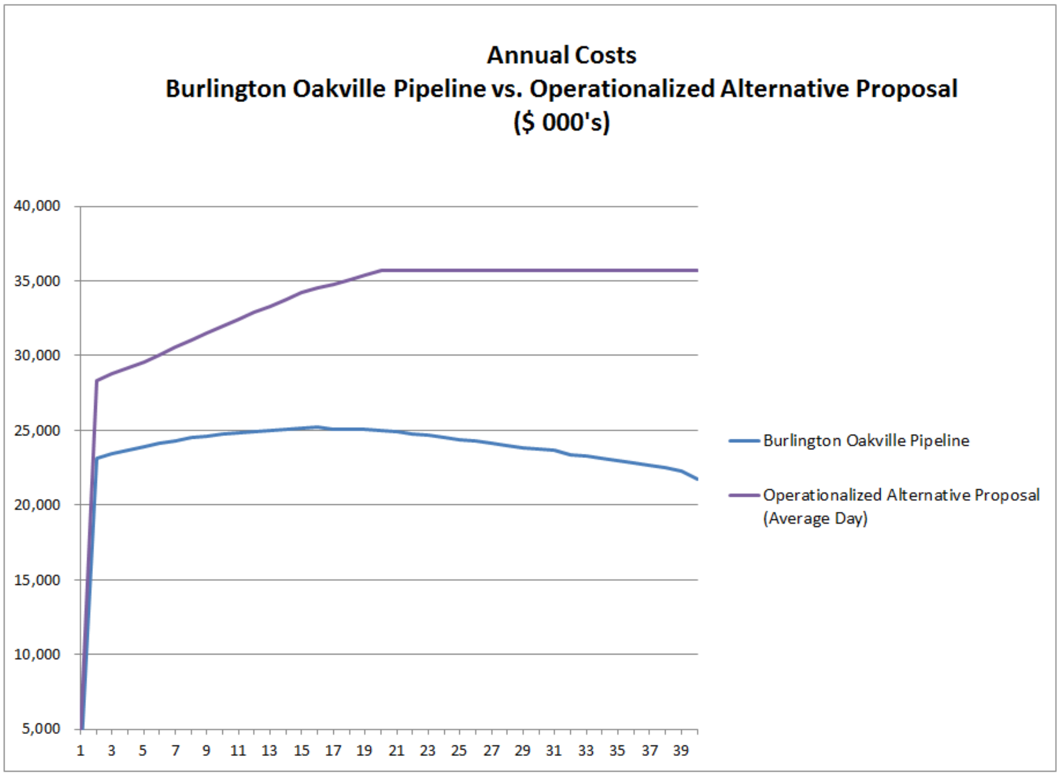
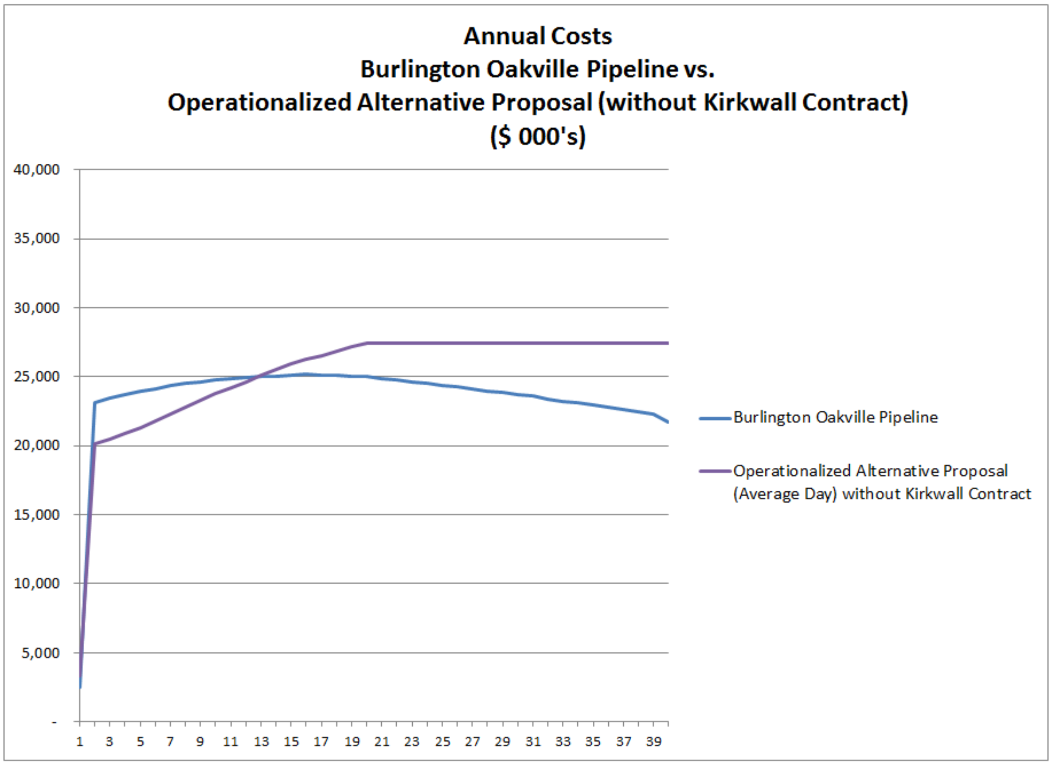


Figure 5-5



Source: Exhibit C, pgs. 28 and 29

3.8 In either circumstance it was Union's evidence that in either event the net present value favours the build alternative.[9]

~~3.9~~ The OGVG/CME proposal would appear to have the effect of subverting the concept of an integrated system creating a disconnect between the Burlington/Oakville system and the Dawn Parkway system. The corresponding theory behind the proposal that excess gas from the commercial alternatives may replace demand at Kirkwall seems to be speculative at best. As OGVG/CME's witness implied that TCPL would have to move the excess to Kirkwall [10].

3.10 In VECC's view, there is too much risk and lack of information associated with the alternate OCVG/CME proposal to prefer an option of putting Union's proposal in abeyance to more carefully decode the alternative.

3.11 It is also clear that the building of the proposed line will have ancillary benefits of security of supply for serving the growing population in the Burlington-Oakville area.

3.12 The final alternative discussed at the hearing was waiting. There is a suggestion that there may be cost savings by delaying the project. Leaving aside the question as to whether there are actual savings if the project is delayed there are at least two other issues with this suggestion. First Union has noted, and VECC agrees, building new infrastructure in fast growing urban areas, like Burlington-Oakville, becomes more difficult as time goes on[11]. Second, we would note that the costs of a project in the future are uncertain. As such it is not possible to conclude that the overall cost-benefit of the project would not deteriorate if it were delayed. .

3.13 In the result, VECC supports Union's application for leave to construct the subject pipeline.

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[9] Tr. Vol 1 pgs. 154-155
[10] Tr. Vol 2 pgs.30, 42
[11] Tr. Vol 1 pgs.158-160

4 Reasonably Incurred Costs

4.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

ALL OF WHICH IS RESPECFULLY SUBMITTED

M. Janigan
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