

**ONTARIO ENERGY BOARD**

**Union Gas Limited**

**Enbridge Gas Distribution Inc.**

**Applications for pre-approval of the cost consequences  
of long-term natural gas transportation contracts with  
NEXUS Gas Transmission.**

**FINAL SUBMISSIONS**

**INDUSTRIAL GAS USERS ASSOCIATION (IGUA)**

1. As noted in IGUA's intervention requests in this combined proceeding, IGUA has considered both the role that the NEXUS proposals advanced by Union Gas Limited (Union) and Enbridge Gas Distribution Inc. (EGD) would play in the evolving gas transportation and supply markets impacting Ontario gas consumers, and the cost consequences of the proposals to IGUA's members.
2. IGUA understands that the cost consequences of the proposed NEXUS contracts would fall to system supply customers.
3. IGUA generally supports facilities that will diversify Ontario gas supply options and will provide access to new (for Ontario) gas supply sources, including in particular U.S. North East shale gas. IGUA favours development of pipelines that will not only provide diversified sources of gas supply, but that will also add depth to markets and enable the development and offering of various types of physical and associated financial products to the benefit of Ontario's gas consumers.
4. Given the lack of direct rate impact of the approvals herein requested on its members, IGUA has limited these brief submissions to an outline of IGUA's

perspective on how the issues engaged in these applications are appropriately framed.

5. During the proceeding parties have suggested, and will likely pursue in argument, a position that Union and EGD seek pre-approval of the cost consequences of contracts which support new transportation paths, and not development of a new supply basin, and thus these contracts do not qualify for pre-approval under the Board's *Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts (Guidelines)*.

6. What the *Guidelines* actually contemplate is:

... a pre-approval process for long-term contracts that support the development of new natural gas infrastructure (e.g., new pipeline facilities to access new natural gas supply sources such as Liquefied Natural Gas plants and frontier production).<sup>1</sup> [Emphasis added]

7. IGUA does not read this policy as constrained only to development of new supply basins. Indeed, the policy statement refers equally to new pipeline facilities, where such facilities access new natural gas supply sources.
8. Union and EGD are proposing pre-approval of the cost consequences of long-term contracts for capacity on NEXUS – which would be “*new natural gas infrastructure*” (i.e. “*new pipeline facilities*”). The utilities claim that these contracts are required to support the development of this new infrastructure, which will provide access for Ontario to the Marcellus and Utica basins, which basins may be considered new sources of supply for Ontario gas consumers.
9. As noted above, IGUA generally supports facilities that will diversify Ontario gas supply options and provide access to new (for Ontario) gas supply sources, including in particular U.S. North East shale gas.
10. The issue for determination in these applications is whether pre—approval of the cost consequences of the proposed NEXUS contracts is in fact required to support

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<sup>1</sup> Board's April 23, 2009 Letter to All Participants in EB-2008-0280.

the development of new infrastructure to secure for Ontario access to North East U.S. shale gas.

11. As previously found by the Board:

*There must be a compelling case that without the reallocation of risk to the ratepayer from the shareholder arising from pre-approval, new natural gas transportation infrastructure would not be constructed and new natural gas supplies would remain beyond the reach of the market.<sup>2</sup>*

12. To the extent that the Board determines that the requested pre-approvals are required to support development of pipeline infrastructure to bring gas from Utica and Marcellus to Ontario, such pre-approval should be granted. However, the Board should be satisfied that such pre-approval is in fact required to bring that gas to Ontario, and failing such pre-approval that gas will not flow to Ontario, either on NEXUS or on other pipeline projects in development.
13. That is, the Board should grant pre-approval only to the extent that it determines such pre-approval is reasonably necessary to ensure that North East U.S. shale gas arrives in Ontario on some path.
14. The likelihood of the Rover project being developed, or of the NEXUS project proceeding in any event of the outcome of this combined proceeding, should be carefully considered. The determination should be focussed on benefits to Ontario gas consumers from such long-term capacity commitments, and not to protection of Union, EGD or the other sponsors of NEXUS for their proposed investments in this particular pipeline.
15. IGUA further submits that should the Board determine that pre-approval of the cost consequences of the proposed contracts is warranted, the Board should then further consider whether the proposed amount of contracted capacity is appropriate.

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<sup>2</sup> EB-2010-0300 / EB-2010-0333, Decision and Order, January 27, 2011 at p. 10.

16. Other parties will pursue analysis of an appropriate degree of gas supply and associated upstream transportation portfolio diversification. As noted above, IGUA supports the principle of diversification. IGUA understands that arguments will be made that EGD's proposed portfolio, which includes a significant amount of Niagara landed gas, provides more complete diversification than Union's proposed portfolio, which relies largely on Dawn and to a greater extent on the NEXUS capacity proposed than does EGD's.
17. Noted above is IGUA's view that diversification includes not only ensuring some gas arrives from various different supply sources, but also that volumes are sufficient to support a market which is deep and liquid enough to facilitate development and offering of various types of physical and associated financial products to the benefit of Ontario's gas consumers.
18. In considering what amount of capacity proposed for contracting by Union and EGD would be optimal to include in any pre-approval, the Board should consider the appropriate balance between supply source and path diversification on one hand, and market depth and liquidity at any particular supply point on the other hand.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED by:**

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*for:*

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