MICHAEL R. BUONAGURO

Barrister and Solicitor

24 HUMBER TRAIL
TORONTO, ONTARIO, M6S 4C1
P: (416) 767-1666
F: (416) 767-1666
EMAIL: mrb@mrb-law.com

March 10, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Walli,

RE: EB-20116-0013 Union Gas Limited: Application for Leave to Construct

Please find enclosed the interrogatories of the Ontario Greenhouse Vegetable Growers in the above noted proceeding.

Yours very truly,

Michael R. Buonaguro

CC: All Participants

UNION GAS LIMITED

Application for Leave to Construct

**INTERROGATORIES OF THE ONTARIO GREENHOUSE VEGETABLE GROWERS
FOR
UNION GAS LIMITED**

March 10, 2016

Michael Buonaguro
Counsel
Ontario Greenhouse Vegetable Growers
24 Humber Trail
Toronto, Ontario
M6S 4C1

Phone 416-767-1666

Email: mrb@mrb-law.com

Interrogatory #1

Reference: Application for Leave to Construct pages 1, 3.

Preamble: The Proposed Facilities will provide 51,900 m3/hour of additional capacity to the Project Area.

Initially there were 62 customers with 73 bids into the expression of interest for firm capacity. The 62 customers bid for a total capacity of 129,097 m3/hour.

a) What is the current capacity of the local distribution network (relative to the proposed increase in capacity by 51,900 m3/hour)?

b) Please explain why Union is not proposing or cannot propose an increase in capacity that would meet the 129,097 m3/hour in additional firm capacity that was requested through the bidding process. In providing the explanation please provide details as to the scope and cost of any additional capital investment that would be required in order to increase the capacity of the local distribution network by more than the proposed 51,900 m3/hour; please also differentiate between necessary upstream work and necessary work to increase capacity on the local distribution network.

c) In EB-2015-0179, Exhibit B.LPMA.14 b), Union describes the difference between a Minimum Design and a Preferred Design; please discuss whether the Proposed Pipeline is based on a Minimum Design, a Preferred Design, or whether the distinction may not apply in the current case. If the Proposed Pipeline is based on a Minimum Design, please describe the scope and costs related to a Preferred Design, and if based on a Preferred Design, please describe the scope and costs related to the Minimum Design.

Interrogatory #2

Reference: Application for Leave to Construct page 5.

Preamble: As this is a continuation of the Leamington Phase I Project (EB-2012-0431) no other alternatives were considered except to extend the NPS 12 pipeline further south from County Road 14.

a) What would be the effect of extending the NPS 12 pipeline further south from County Road 14?

Interrogatory #3

Reference: Application for Leave to Construct page 5.

Preamble: As the purpose of the Proposed Facilities is to provide more gas to the local distribution network, there will be no customers attached directly to the Proposed Facilities.

a) Please confirm that to the extent there is an opportunity for Union to provide additional interruptible service as a result of the Proposed Pipeline that additional interruptible service would be available to all customers that are or can be connected to the local distribution network.

Interrogatory #4

Reference: Application for Leave to Construct page 3.

Preamble: The customer may elect to pay the total cost up front as aid to construct or the customer may elect to sign a long-term contract or a Letter of Agreement. If the customer elects to sign a long term contract or a Letter of Agreement, the projected future revenue will reduce or eliminate the aid to construct payment.

a) What is the difference between a long-term contract and a Letter of Agreement? Please provide samples of both a long-term contract and a Letter of Agreement in relation to the Proposed Pipeline, along with commentary as to which terms of those documents will vary from customer to customer, the manner in which they will vary, and the extent to which they may vary.

b) How many long-term contracts and Letters of Agreement have been entered into in relation to the Proposed Pipeline to date, and how much of the proposed new capacity do those contracts relate to?

c) Please list the number of executed long-term contracts and Letters of Agreement that are based on a term of one year, two years, three years, etc. up to the maximum 10 year contract as suggested in the Expression of Interest documents.

d) Please confirm that the intent of a long-term contract or Letter of Agreement is to provide customers with a way to secure firm capacity without paying any amounts in excess of distribution charges associated with their actual consumption so long as their actual consumption meets or exceeds the minimum annual volume (the “MAV”) that is included in their contract in each year of the contract.

e) Please provide detailed examples of how to arrive at a long-term contract or Letter of Agreement that avoids the need for an Aid to Construct Payment using the capacity for Customer No. 1 in Schedule 3 in the first instance and Customer No. 53 in Schedule 3 in the second instance. In each case show what costs are allocated to each customer (including a theoretical, reasonable estimate of customer specific connection costs for illustrative purposes). It is not OGVG’s intent that Union provide the actual estimated volumes for Customer No. 1 and Customer No. 53; it is OGVG’s intent that Union describe how the annual volumes for those customers would be estimated, and then provide a reasonable annual volume based on the contracted for capacity in order to illustrate how the contract terms would be arrived at.

f) Does Union intend to adjust the terms of the long-term contracts and Letters of Agreement to reflect the actual construction costs (i.e. by adjusting the allocation of costs to each customer and the resulting MAV requirements)? Why or why not?

g) Please confirm that in the event a customer has to terminate or materially curtail its consumption during term of its long-term contract or Letter of Agreement, Union can make the unused capacity available to a new customer. If not why not; if so does the contracting for that capacity differ from the contracting of that capacity in the first instance (i.e. as part of the initial offering of the capacity)?

h) Please confirm that as a result of the use of MAVs in the contracting for the newly available capacity, Union is 100% protected from the risk of a revenue shortfall from customers as a result of reduced annual volumes (whether as a result of customer specific operational issues or changes, conservation measures engaged in by the customer either on their own or in conjunction with Union, the weather sensitivity of the load, etc.) while at the same time Union benefits from any revenue as a result of increased volumes?

i) When Union engages a customer that has a multiyear obligation as is proposed in this Application in a Demand Side Management ("DSM") activity that has the effect of reducing the customer's annual consumption below the MAV embedded in its contract, does Union allow the customer to adjust its contract terms going forward in order to reflect the impact of the DSM activity?

j) If a customer falls below their MAV in some years and exceeds their MAV in other years such that, in aggregate, they meet the total volumes in the contract, can the customer avoid charges related to failing to meet their MAV in some years using "credit" for exceeding their MAV in other years? If so explain how this credit is calculated and applied, and if not please discuss whether Union agrees that it would be fair to provide such credit when, in aggregate, a customer meets their contracted for volume and related revenue stream requirements even if in some years they fall below their MAV.

k) How many of the executed long-term contracts or Letters of Agreement include an Aid to Construct payment as opposed to relying entirely on an MAV for one or more years? If any, please explain what factors did or may have led to the inclusion of an Aid to Construct payment rather than the avoidance of such a payment through a commitment to an MAV over a term of one or more years?

l) Of the long-term contracts and Letters of Agreement that have been entered into, how many of them included MAVs that Union believes materially exceed the annual volumes that the relevant customer will expect to consume in a "weather normal" year?

Interrogatory #5

Reference: Application for Leave to Construct Schedule 8.

Preamble: Schedule 8 provides the DCF analysis for the Proposed Pipeline.

a) Please detail how the revenue figures in Schedule 8 (starting with projected revenue of $2,041,000 in year 1 and ending with $2,534,000 in Year 10) were forecast. In particular detail how the annual gas volumes underpinning the projected revenue based on 2016 General Service Rates was forecast.

b) Please confirm that the revenue figures in Schedule 8 do not include any revenue associated with the increased availability of interruptible service as a result of the Proposed Pipeline.

c) Please provide an estimate of the annual revenue from interruptible service that Union recovers from:

    i) the capacity on the local distribution system not including the additional capacity provided by the Leamington Phase 1 project or the Proposed Pipeline,

    ii) the incremental capacity provided by the Leamington Phase 1 project, and

    iii) the incremental capacity to be provided by the Proposed Pipeline.

Interrogatory #6

Reference: Application for Leave to Construct page 2.

Preamble: In EB-2012-0431 (Leamington Phase 1) the cost of the facilities was allocated to customers based on a standard hourly consumption per acre of greenhouse. For this Application the cost is allocated based on an hourly consumption where the customer selects the usage per hour that meets their needs. Allocating the costs based on m3/hour provides the customer with a more accurate indication of the capital cost associated with their operations, earlier on in the process.

a) With respect to the Leamington Phase 1 project, please provide the number of customers that entered into either a long-term contract or Letter of Agreement for firm capacity, and indicate how many of those customers fell below their contracted for MAV since the pipeline was put into service.

Interrogatory #7

Reference: Application for Leave to Construct page 7.

Preamble: The DCF analysis found at Schedule 8 is based on a total capital cost of $14.0 million which is the sum of the capital cost of $12.3 million for the Proposed Facilities plus $1.7 million as the sum of the estimated cost of the individual distribution facilities to connect the customers.

Please confirm that with respect to the estimated $1.7M estimated cost of individual distribution facilities to connect customers, it is the case that this amount is not allocated to customers when determining the proposed contractual obligations, rather each customer's contract obligation is based on a) an allocation of the estimated costs of the Proposed Pipeline based on their share of the capacity, plus b) the estimated cost of connecting that specific customer to the distribution system, if any.