

**IN THE MATTER OF
ONTARIO ENERGY BOARD
PROCEEDING EB-2016-0004**

AFFIDAVIT OF GARY HIGHFIELD

I, **Gary Highfield** of Bedford, Nova Scotia, SWEAR AND SAY AS FOLLOWS:

1. I am Director, Propane of Parkland Fuel Corporation (“**Parkland Fuel**” and together with its wholly-owned subsidiaries, “**Parkland**”).
2. I have a personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I believe the same to be true.
3. I make this affidavit in support of Parkland’s intervention in Ontario Energy Board hearing EB-2016-0004.

Parkland

4. Parkland Fuel is a publically-traded corporation incorporated under the laws of Alberta with its head office in Red Deer, Alberta. Sparling’s Propane Co. Ltd., a wholly-owned subsidiary of Parkland Fuel, is a corporation incorporated under the laws of the Province of Ontario and provides propane to consumers for residential and commercial use.
5. Parkland has a market capitalization of approximately \$2.0 Billion and has three channels in which it reaches the market with its product: retail, commercial and wholesale. Parkland’s retail channel is focused on company owned and dealer owned gas stations and convenience stores. The commercial channel delivers fuel to industrial consumers and propane, home heating oil and fuel to rural consumers. Combined, the company moves almost 10 billion litres of products.
6. Parkland currently has approximately 1800 employees across Canada and employs approximately 264 people in its Ontario based commercial/propane business.
7. Parkland operates its commercial business in Ontario out of 17 branches around the Province, which serve over 42,000 consumers located in over 900 mostly rural communities across Ontario. From these locations, Parkland provides propane and/or fuel delivery services and the necessary consumer services to ensure complete consumer care. Parkland is also developing a Centre of Excellence for logistic and planning in its Blyth location as a template for its national delivery operations.
8. As part of its commercial business, Parkland has built or acquired 7 bulk propane facilities and 10 bulk fuel facilities with a replacement value in excess of \$24 million in and around rural Ontario.

Existing Competition for Fuel in Rural Ontario

9. The competition for fuel is very robust in rural Ontario. Consumers, both residential and commercial have fuel choices ranging from propane to heating oil, electric (resistance and heat pump), geothermal and wood. In Ontario there are over 60 propane delivery retailers and over 70 heating oil delivery retailers, in addition to the numerous electric and geothermal contractors and wood dealers.
10. This multitude of offerings compete each and every day for the fuel consumers in rural Ontario, competing on price, service offerings and consumer service. The competing companies set their

prices and rates for fuel in order to compete in the marketplace. Such prices offered to consumers fluctuate based on a variety of factors, including competing fuel costs and the price of the underlying commodity. The consumer has the decision-making power given the relative ease that they are able to switch amongst fuel alternatives and suppliers. Such decision making power ensures a robust and competitive fuel supply market.

11. Each fuel market exists with minimal or no cross subsidization from one consumer base to another and without subsidization from any level of government as is being proposed with respect to natural gas.

Environmental Impact of Propane vs. Natural Gas

12. Natural gas when discharged into the environment is a greenhouse gas, whereas propane is not classified as such because it will not harm the environment if it is released into the atmosphere in its unused state. Therefore, while propane will not contribute to pollution in its unused state if released, natural gas will. Methane (natural gas) is 25-27 times more toxic as a greenhouse gas than carbon dioxide. Fugitive emissions of natural gas during extraction, transmission and distribution are still being quantified however both the Canadian and US federal governments recently committed to reducing methane emissions by 25% thereby acknowledging and highlighting the impact that natural gas emissions have.
13. The differences in emissions between propane and natural gas combustion are insignificant. Both fuels exemplify clean burning characteristics with harmful emissions and toxins at minimal levels. As a result, there is no material environmental benefit to using natural gas instead of propane.

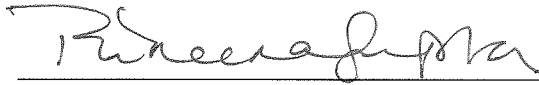
Impacts to Parkland of Subsidized Natural Gas

14. If Union Gas, Enbridge Gas Distribution and other natural gas distributors are permitted to further cross subsidize natural gas prices, then such extra fees paid by the current ratepayers will effectively finance an increase in the penetration rates of the natural gas providers (as set forth in the Union Gas filing). Such increase in penetration rates would have material adverse consequences to Parkland and other propane and fuel suppliers in Ontario. For example, Parkland would experience a loss in efficiency which would substantially increase fuel and servicing costs to the remaining propane and fuel consumer base, further harming Parkland's competitiveness in Ontario's fuel markets.
15. It is likely one or more of the bulk facilities would be consolidated in order to achieve the necessary efficiencies to maintain viable business. This may impact our ability to service certain geographic areas resulting in a loss of competition or perhaps propane service altogether for some communities.
16. As a result of the increase in penetration rates predicted by Union Gas and the adverse effects thereof, Parkland would experience a material loss in profits and business opportunities. Such material loss in profits would cause Parkland to eliminate jobs in the Province of Ontario.
17. Additionally, the natural gas expansion that results from the cross-subsidization would likely make future investment in rural Ontario uneconomical for Parkland's commercial operations, which would include investments in infrastructure and employment.

AFFIRMED BEFORE ME
at Waterloo, Ontario this 21st day of March,
2016.



Gary C. Highfield P. Eng.
Director, Propane



A Commissioner for Oaths
in and for the Province of Ontario