EB-2016-0004

Ontario Energy Board

IN THE MATTER OF
GENERIC PROCEEDING ON NATURAL GAS
EXPANSION IN COMMUNITIES
THAT ARE NOT SERVED

VULNERABLE ENERGY CONSUMERS COALITION
("VECC")
CROSS-EXAMINATION COMPENDIUM

SOUTH BRUCE

May 9, 2016

TAB 1

slow down its rising energy costs, GreenField has always seen the CNG system to be a temporary operation until a lower-cost gas pipeline could be built to the region to provide a more competitive supply of natural gas. The Tiverton Plant needs such a pipeline to compete in the world market.

6. Industrial alcohol plants, such as the Tiverton Plant, are energy intensive. GreenField is a major industrial natural gas customer, with demand from the Tiverton Plant representing approximately 50% of the demand for natural gas in the Kincardine, Arran-Elderslie, Huron-Kinloss service area. Energy costs remain the second-highest input cost for the Tiverton Plant after corn purchases and are an important focus for GreenField to improve its competitive position in the North American market.

THE CHANGING ENERGY CONTEXT

7. GreenField, like other industrial customers, continues to optimize its business and maximize efficiencies in the context of a very rapidly-changing energy sector. The plethora of energy supply and transportation changes resulting from the shale gas revolution and the transition to a lower-carbon economy through the implementation of a greenhouse gas (**GHG**) cap-and-trade system are just two of the central changes that industrial customers, such as GreenField, are navigating and making strategic business decisions around. GreenField anticipates that the recently introduced cap-and-trade legislation and related regulation will both increase natural gas costs and GreenField's own direct operating costs. It also presents new economic opportunities for alternative energy sources such as ethanol. In light of these changes, GreenField hopes to evaluate and consider its lowest-cost and lower-GHG energy alternatives on a regular basis. As a result, both the cost (rate) and term (time commitment) of any natural gas pipeline service contract are very relevant to GreenField

and the efficient operation of its business. Specifically, higher-rate, long-term contracts are not consistent with our goals of maximizing efficiency while moving toward a lower-carbon economy.

8. GreenField requires a reasonable combination of an attractive rate and term to facilitate its economically-efficient transition to contracting for its natural gas through a pipeline. This transition will contribute to the move to a lower-carbon economy in a cost-effective manner and help GreenField compete in a global marketplace that puts Northern industrial customers on a level natural gas playing field with their Southern competitors.

NORTHERN AND REMOTE NATURAL GAS EXPANSION

9. GreenField fully supports the subsidization of natural gas distribution system expansion to rural and remote communities. Natural gas distribution system expansion generally should be subsidized so Northern communities and industries are not disadvantaged by geography and can remain competitive. Various models for subsidizing or charging for community expansions have been proposed, with varying impacts on new customers in the proposed franchise and existing customers of the incumbent gas utilities. While a model that includes municipal and existing customer subsidization is preferable to provide for the historically-disadvantaged communities that have not had natural gas service, the ultimate model must ensure that there is both a cost and GHG emissions benefit from the service relative to existing energy alternatives. For GreenField, this means that the cost and terms of pipeline natural gas must be less costly than and at least as flexible as its current CNG arrangements. Any change must make financial sense for GreenField and other large industrial customers.

THE PROCESS: COMPETITIVE, TRANSPARENT, CUSTOMER FOCUSSED

10. GreenField and other remote customers' needs may only truly be met through an open, transparent process for expansion of natural gas distribution systems that is focused on customers. Such a process is consistent with and will facilitate the stated goals of both the Minister and the Board in facilitating customer choice in energy service for Northern and remote communities. While competitive methods may facilitate efficient choices for customers, they do not guarantee it. In this regard, GreenField would urge the Board to put the customer first and ensure that the resulting process does not facilitate competition merely for the sake of competition, but rather as a means of achieving true and real customer benefit in the cost and term of the service. To this end, it is integral that any generic process to assess rural and remote connections and the natural gas supply to them includes major customers such as GreenField. Processes that exclude customers and do not reflect their needs are likely to ultimately result in stranded or inefficient assets.

11. Ultimate ratemaking must make sense in a dynamic financial context for major industrial customers, both in terms of the term that they are required to adhere to and the rate paid over that term. As such, ratemaking for new rural and remote connections should be done in line with ratemaking principles currently in use. Any bid process must include meaningful disclosure of the financial components of the pipeline and the resulting proposed tariffs, including all related assumptions. Major customers cannot be burdened with uneconomic terms and rates.

12. GreenField supports some level of subsidization to ensure fair access to natural gas for Northern and remote customers. This subsidy could include, among other methods, a capital contribution from the government, some at-risk component offered by the project sponsor, or

TAB 2

GREENFIELD RESPONSE TO BOARD STAFF INTERROGATORY #1

Interrogatory: 1

Reference: Evidence of Greenfield Specialty Alcohols, page 1, para 3

Preamble: Greenfield Specialty Alcohols Inc. (**Greenfield**) is the owner and operator of the Tiverton Industrial Alcohol distillery located in the Bruce Energy Centre in the Municipality of Kincardine.

Question: How far is the distillery in the Municipality of Kincardine from a natural gas main line?

Response: GreenField's Tiverton plant is located 58 km from Union Gas's mainline following a pipeline route that was proposed both by Union Gas and Epcor. This route passes through the towns of Chesley and Paisley and is a fairly direct route from the Union Gas Main line from Kitchener/Waterloo to Owen Sound. Connection to the Kitchener to Owen Sound line would be at Dornoch.

TAB 3

GREENFIELD RESPONSE TO BOARD STAFF INTERROGATORY #3

Interrogatory: 3

Reference: Evidence of Greenfield Specialty Alcohols, page 3, paras 6-7

Preamble: Greenfield has noted that energy costs remain the second highest input cost for the Tiverton plant and are an important focus for Greenfield to improve its competitive position in the North American market.

Question:

a) Has Greenfield considered other options for its energy needs? If yes, please provide details.

b) Will the Ontario Government's initiative to transition to a lower carbon economy impact Greenfield's decision to support expansion of natural gas service in the Municipality of Kincardine?

Response:

a) Prior to the construction of Mount Forest in late 2012, GreenField undertook a confidential and commercially sensitive analysis of then-available energy options and concluded to proceed with compressed natural gas (CNG). It completed construction of a CNG supply system at its natural gas compressor station located near Mount Forest to permit CNG to be trucked into its Tiverton plant.

The company continues to seek out ways to find efficiencies and lower energy costs.

b) GreenField fully supports the government's initiative to transition to a lower carbon economy and the company is developing a number of low carbon fuel technologies to help Ontario achieve that goal. The company is assessing the implications of the draft cap and trade regulations and will not provide a determinate view until after the regulatory scheme has been finalized. GreenField is nonetheless hopeful that the transition to a lower carbon economy and natural gas expansion will have both an economic and environmental benefit when compared with the status quo.

TAB 4

GREENFIELD RESPONSE TO BOMA INTERROGATORY #88

Interrogatory: 88

Reference: Evidence of Greenfield Specialty Alcohols, page 3

Question:

a) If GreenField's Tiverton plant were to acquire pipeline gas from Union pursuant to an expansion, what would its annual delivered cost of gas be, and how would that compare to an energy equivalent basis to its gas costs plus fee to Bruce Power for producing steam and delivering it to GreenField? What would be the minimum term available for GreenField pursuant to the applicable rate? What infrastructure would GreenField need to install, for example a gas-fired boiler? What would the retrofit cost be?

b) Does GreenField have a minimum contract term with Bruce Power, comparable to the teen Union would require? What about comparable "minimum-take" provisions?

c) Has GreenField had discussions with other companies that propose alternative pipeline projects or other alternative delivery arrangements, e.g. CNG or LNG to its facility? How do their rates compare with the cost of GreenField's current energy costs?

d) Does GreenField own the Mt. Forest compressor and the truck fleet?

e) How does GreenField assess the risks of switching from its current CNG/Bruce Power supply arrangements to alternative arrangements, either pipeline or otherwise?

f) Under what circumstances would GreenField serve as an anchor load for a new pipeline project?

Response:

a) Please see response in Exhibit R5.Greenfield.Board Staff.2(a).

The company is unable to compare its current costs with that of pipeline gas supply as the rules, costs and commercial arrangements for rural gas expansion have not been determined. Once these potential arrangements are determined, GreenField looks forward to considering options and discussing with the successful proponent.

GreenField has recently made considerable investments in dual gas and oil fired boilers to provide a reliable and efficient supply of steam to both its own plant and to Bruce Power. Oil is used for energy backup in the event roads are closed and CNG trucks cannot meet the natural gas demand at the plant. Other than the polar vortex year of 2013/2014, the plant rarely burns oil to produce steam and CNG is a very reliable energy supply system. The cost to supply energy using CNG was determined to be the most advantageous given the options available to the company. GreenField anticipates the conversion cost for pipeline gas should comprise only the cost of connection to the pipeline and a meter station.

b) GreenField's contractual arrangement with Bruce Power is confidential. Bruce Power has agreed to work with GreenField to find a reasonable contract term and price and to lower the costs of steam supply in the event of a new gas pipeline.

Please see response in Exhibit R5.Greenfield.BOMA.87. GreenField's preference is to have flexible price and term options in order to provide for economic benefits when compared to the status quo.

c) GreenField constructed and operates its own CNG supply system. At the time of construction, the company believed that given the combined proximity of the Tiverton plant and the resources available (including a 24/7 control room and maintenance staff), it could operate the system reliably and at a lower cost than a third party provider.

d) GreenField owns the Mount Forest compressor station and operates certain trailers.

e) GreenField will conduct thorough due diligence and consider the commercial, regulatory, environmental, and safety risks and benefits of any alternate energy supply arrangements in relation to its current CNG supply arrangements, which it views to be a safe, reliable and reasonably economic current method of supplying natural gas to the Tiverton plant.

f) GreenField would assess any pipeline project options in a manner similar to any other capital project. Please see response in Exhibit R5.Greenfield.BOMA.88(e).