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June 20, 2016

Filed on RESS and Sent via Courier

Kirsten Walli
Board Secretary
2300 Yonge Street, Suite 2700
Toronto, ON
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Dear Ms. Walli:

Re: EB-2016-0004 – Generic Proceeding on Natural Gas Expansion

We are counsel to GreenField Specialty Alcohols Inc. (**GreenField**) in the above-mentioned proceeding. Please find attached the written submissions of GreenField, filed pursuant to Procedural Order No. 3 (May 30, 2016).

Should you have further questions on this matter, please do not hesitate to contact me.

Yours very truly,

Lisa (Elisabeth) DeMarco

Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application under the Ontario Energy Board's own motion to consider potential alternative approaches to recover costs of expanding natural gas service to communities that are not currently served.

EB-2016-0004

GreenField Specialty Alcohols Inc.

FINAL ARGUMENT

June 20, 2016

INTRODUCTION

1. We are counsel to GreenField Specialty Alcohols Inc. (**GreenField**) in this application under the Ontario Energy Board's (the **OEB's** or the **Board's**) own motion to consider potential alternative approaches to recover costs of expanding natural gas service to communities that are not currently served.
2. GreenField is Canada's leading specialty alcohols producer, with a focus on corn-based bulk industrial alcohol, packaged alcohol, fuel ethanol, and associated agricultural co-products. GreenField has a leading share of the industrial alcohol market and is also the largest ethanol producer in Canada, with an export business in grain neutral spirits (alcohol containing 95% alcohol by volume, or 190-proof). GreenField competes in a global market and exports its products worldwide. GreenField is important to the Ontario economy and requires access to low-cost natural gas in order to remain competitive in the world market, as energy is one of its highest input costs.
3. GreenField is the owner and operator of the Tiverton Industrial Alcohol distillery located in the Bruce Energy Centre in the Municipality of Kincardine (the **Tiverton Plant** or **Tiverton**). The Tiverton Plant produces 44 different products, primarily high-quality industrial- and beverage-grade alcohols that are shipped throughout Canada, the U.S., and around the world. Industrial alcohol plants, such as the Tiverton Plant, are energy intensive.
4. GreenField is a major industrial natural gas customer, with demand from the Tiverton Plant representing more than 50% of the demand for natural gas in the Kincardine, Arran-Elderslie, Huron-Kinloss service area (**South Bruce**). Energy costs remain the second-highest input cost for the Tiverton Plant after corn purchases and are an important focus

for GreenField to improve the efficiency of the plant and its competitive position in the North American market.

5. 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.
6. While the future of energy is changing rapidly, natural gas is likely to continue to play a role in the province, particularly for industrial customers in rural and remote areas. GreenField believes that in the period of transition to a lower-carbon economy, natural gas system expansion will help lower GHG emissions and improve the ability of the Province to reach its climate goals. GreenField submits that the lower operating costs provided by natural gas in the interim period may help fund the longer-term transition to a lower carbon economy in a manner that optimizes existing assets.

OVERVIEW OF SUBMISSIONS

7. GreenField's submissions address Issues 2, 3, 4(b), 8 and 9 as listed in Procedural Order No. 2, dated March 9, 2016, and Procedural Order No. 3, dated May 30, 2016. Generally, GreenField submits that the Board has the jurisdiction to implement cross-subsidization to facilitate expansion of the natural gas distribution system and that the framework arising from this proceeding may include some form of cross-subsidy in order to ensure equitable access to lower-cost natural gas.

8. GreenField is the only end-use gas customer participating directly in this proceeding in order to assist the Board in formulating the framework for natural gas expansion in Ontario (the **Framework**). GreenField respectfully submits that the Framework must ensure that large industrial customers are consulted in a meaningful way and specifically that the Board mandate that any natural gas expansion proposal must include:
- (a) the proposed capital and operating costs of the project;
 - (b) the proposed tariffs and the terms that would result from the expansion;
 - (c) a comparison of proposed gas costs to predominant energy sources in the region for major industrial and average commercial and residential customers;
 - (d) potential energy savings and GHG reductions/impacts; and
 - (e) minimum disclosure requirements for other elements of proposals that allow all affected stakeholders to undertake meaningful assessments.
9. Consistent with these proposed requirements of the Framework, GreenField submits that the Board should mandate that any competitive selection process that includes the following procedural elements: (1) any bid, request for proposals (**RFP**), request for information (**RFI**) or similar process must be done on an "apples-to-apples" basis, whereby different bids or proposals are compared on a consistent basis according to common criteria; (2) any bid, RFP, RFI or similar process must include consultation requirements with major customers **prior to** the granting of a Municipal Franchise Agreement (**MFA**) in order to ensure that the proposed options are efficient and effective; (3) any bid, RFP, RFI or similar process must include meaningful consultation and engagement with major customers to assess customer views in a manner that does not

violate confidentiality after bids representing significant demand in the service territory; (4) the process for approving a municipal franchise must include large users; and (5) Board Staff should assist municipalities and municipal stakeholders in implementing and complying with the Framework and participating in the MFA/Certificate of Public Convenience and Necessity (**CPCN**) approval process.

BACKGROUND

10. The Tiverton Plant commenced operations in 1989. GreenField's decision to locate Tiverton at the Bruce Energy Centre was, in part, because of the attractive, low-cost-energy supply of steam from the (then) Ontario Hydro heavy water plant, which no longer exists as outlined in GreenField's direct evidence. GreenField attempted to reduce its energy cost in 2012 by building a gas compressor station in Mount Forest, Ontario and trucking compressed natural gas (**CNG**) to Tiverton. As a result, in 2013 a contract was signed with Bruce Power to provide lower-cost steam produced from CNG and allow them to decommission their bunker-fired steam plant.
11. While this allowed GreenField to slow down its rising energy costs, GreenField has always seen the CNG system to be a temporary operation until a lower-cost natural gas distribution pipeline could be built to the region to provide a more competitive supply of natural gas. As a result, GreenField is generally supportive of natural gas expansion in the South Bruce area if there are demonstrable economic and related benefits for GreenField and other customers.
12. Competitive natural gas access is key to economic development and GreenField's ongoing commitment to efficiency. Representatives of each of the municipalities of Norfolk County, Sioux Lookout, East Ferris and Perth East testified at the Board's pre-hearing

conference held April 26, 2016, on the economic effects natural gas service would have on their communities.

Jim Oliver, a county councillor in Norfolk County, highlighted the importance of natural gas service to the economic viability of business in the municipality, as well as to the effects lack of natural gas service had on the reliability of electricity supply:

MR OLIVER: ... Where natural gas is available to residents, businesses, farm operations, and industry, it provides an economical and relatively green source of heat and, in some cases, fuel that contributes greatly to the viability of financial security of the residents and the viability of the businesses, farms or industry in question.¹

MR OLIVER: ... Tourism and service businesses in and near Turkey Point are also facing higher energy costs, and are less able to afford expansions to their businesses. The McDonald Turkey Point Marina in particular and its patrons face very significant costs for heating in the form of propane and energy, of course, in the form of electricity, including -- and this is perhaps somewhat unique to that area -- reliability issues for electricity supply, and they have been prevented from expanding their business due to limited electricity supply from Hydro One.²

MR OLIVER: ... Time is of the essence for farmers, residents, cottage owners and small business owners of our Turkey Point area.³

Doug Lawrence, Mayor of Sioux Lookout, explained the effect natural gas service would have on the cost of living in Sioux Lookout and the municipality's ability to retain people:

MR LAWRENCE: ... We have jobs, a high employment rate. But we have a problem in attraction and retention because of the high cost of heating due to natural gas.⁴

MR LAWRENCE: Employment, again, the unemployment rate is low. I think it is close to 4 percent. If you want to work in Sioux Lookout you are, but again

¹ EB-2016-0004, Pre-hearing Conference Transcript, 8:26 to 9:4.

² EB-2016-0004, Pre-hearing Conference Transcript, 9:25 to 10:6.

³ EB-2016-0004, Pre-hearing Conference Transcript, 11:14-16.

⁴ EB-2016-0004, Pre-hearing Conference Transcript, 15:9-12.

we have a high transient population because of the cost to live in Sioux Lookout, and natural gas being a key factor there.⁵

Bill Vrebosch and Pauline Rocheford, Mayor and Deputy Mayor of East Ferris, respectively, emphasized the industrial and commercial expansion natural gas service could bring to the municipality and how important natural gas expansion is to industry:

MR VREBOSCH: We know natural gas will bring industrial and commercial expansion to East Ferris. We have done the homework.⁶ [...] We know that natural gas and the connectivity we need will prove to be the catalyst for our future development.⁷

MS. ROCHFORD: I say this particular program is important because, in Ontario, it is one of the acclaimed economic development programs for rural areas, and it falls under the Ministry of Agriculture, Food and Rural Affairs. At its heart it is a program that enables the community to survey local businesses and to plan how to enable them to thrive and to grow, to add jobs, and to avoid failing, as we know all of the consequences of that.⁸

Finally, Bob McMillan, Mayor of Perth East, explained how pressing natural gas service is for his community:

MR. MCMILLAN: So why is it so important to us? Obviously the economic development opportunities exist in any community. But when people come and they ask about the infrastructure that the township in Perth East has, especially in a built-up area like Milverton, we can go through all that we have. But when it comes to natural gas, we say no, sorry, we're not serviced. And they say, well, thanks very much, we'll see you later. Currently right now we have two residential developments taking place at a rather – well, a glacier-like pace. A hundred and fifty lots ready to go, but they are waiting. They are waiting on word to know what will happen. So when we talk about growth, our growth is rather stagnant. If we had the ability to tell these developers gas is coming, we know exactly what would happen. Shovels would be in the ground and we would be on our way. That is just a small example of some of the things that can happen, because there are also other commercial industrial opportunities that exist and, again, faced with the same challenges. So obviously, this is impairing our growth and economic development. It is driving

⁵ EB-2016-0004, Pre-hearing Conference Transcript, 15:19-23.

⁶ EB-2016-0004, Pre-hearing Conference Transcript, 24:6-8.

⁷ EB-2016-0004, Pre-hearing Conference Transcript, 24:11-13.

⁸ EB-2016-0004, Pre-hearing Conference Transcript, 29:4-11.

potential businesses away. We've communicated this to the public and we have received quite a lot of support. One letter that you have received is from the Milverton Business Association. It speaks to the sustainability of the existing businesses and the potential to provide more opportunities for the residents. So attraction of new businesses, new residents; that is very important to them. Another letter that you have received comes from the Avon Maitland District School Board, and they also recognize the higher costs they're paying for propane versus what they could pay in natural gas. They also highlight the supply issues that have been prevalent in a couple of our harsh winters where, while there are lots of competitors out there, the supply doesn't seem to always keep up to the demand, and there have been instances on numerous occasions where people have run out.⁹

MR. MCMILLAN: So I guess what I'm suggesting is that I'm painting a picture of how desperate perhaps we are, but all around us people have access to natural gas, and why shouldn't we?¹⁰

MR. MCMILLAN: So we are not asking for any special treatment. We do recognize the unfair disadvantage to our economic growth that this is portraying to us when people come to us and say: What do you have to offer? Well, we have communities near us. We're ready to go. But unfortunately we can't help out until natural gas is supplied to our area.¹¹

13. GreenField commends the Board in proceeding with this generic hearing to develop a natural gas Framework on its own motion. In the absence of this process, GreenField's concerns may have been relegated to a reactive role and only after an inadequate Request for Information process was complete. GreenField therefore requests that all future natural gas expansion proceedings, including the South Bruce process, be subject to the Board's Framework resulting from this process.

⁹ EB-2016-0004, Pre-hearing Conference Transcript, 39:5 to 40:15.

¹⁰ EB-2016-0004, Pre-hearing Conference Transcript, 41:10-12.

¹¹ EB-2016-0004, Pre-hearing Conference Transcript, 42:3-8.

ARGUMENT

Issue 2: The Board has the legal authority to grant subsidies

14. GreenField submits that the Board has the legal authority under the *Ontario Energy Board Act, 1998*¹² (the **OEB Act**) to establish a framework whereby the customers of one utility may subsidize the expansion into communities that do not have natural gas service. This position is supported by the OEB Act and related jurisprudence.
15. Under s. 36(3) of the OEB Act, the Board has the power to adopt any method or technique that it considers appropriate when approving or fixing just and reasonable rates for the sale and distribution of natural gas.¹³ Section 2 of the OEB Act requires the Board, in carrying out its responsibilities in relation to gas, to facilitate the rational expansion of gas distribution systems and the maintenance of a financially viable gas industry for the distribution of gas.¹⁴ The Board's s. 36(3) jurisdiction, when read in coordination with the requirement to facilitate natural gas distribution system expansion, would appear to allow the Board to collect subsidies from customers to facilitate rational natural gas expansion and allow for competition to be the method of administration.
16. This interpretation of the Board's jurisdiction is supported by the jurisprudence. In *Toronto Hydro-Electric System Limited v Ontario Energy Board* (2010),¹⁵ the Ontario Court of Appeal found that "*the case law suggests that the OEB's power in respect of setting rates is to be interpreted broadly and extends well beyond a strict construction of the task*"¹⁶ and that the OEB Act "*reflects a clear intent by legislators to use both a subjective and open-*

¹² SO 1998, c 15, Sched B [*OEB Act*].

¹³ OEB Act, s. 36(3).

¹⁴ OEB Act, s. 2.

¹⁵ 2010 ONCA 284 [*Toronto Hydro (2010)*].

¹⁶ *Toronto Hydro (2010)*, at para 25.

ended grant of power to enable the OEB to engage in ... rate setting."¹⁷ The Court of Appeal further found that the Board's objectives, were not "vague, elastic, and open-ended" and that, to the extent that there is uncertainty with respect to the achieving the Board's objectives, "that is a matter undeniably within the expertise of the OEB."¹⁸ In *Enbridge Gas Distribution Inc. v Ontario Energy Board*,¹⁹ the Ontario Court of Appeal held that a narrow reading of the OEB Act was not justified, as it "would be inconsistent with the broad purpose of the [OEB] Act, which is to regulate all aspects of the gas distribution business [...]."²⁰ Finally, in *Toronto Hydro-Electric System Ltd. v OEB* (2009),²¹ the Divisional Court found that the Board has "broad authority to regulate the energy sector in Ontario and to balance competing interests."²²

17. GreenField therefore submits that the Board should take a liberal and purposive approach to interpreting the *OEB Act* and confirm its legal authority to grant subsidies to facilitate natural gas service expansion to rural, remote and First Nations communities.

Issue 3: The Board's framework should include cross-subsidization

18. GreenField fully supports subsidizing the expansion of the natural gas distribution system 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. A model that includes municipal and existing customer subsidization is preferable to provide for the historically-disadvantaged

¹⁷ *Toronto Hydro* (2010), at para 29.

¹⁸ *Toronto Hydro* (2010), at para 33.

¹⁹ [2005] OJ No 33 (ONCA) [*Enbridge*].

²⁰ *Enbridge*, at para 28.

²¹ [2009] OJ No 1872 [*Toronto Hydro* (2009)].

²² *Toronto Hydro* (2009), at para 17.

communities that have not had natural gas service, but must make sense from a cost and GHG-emissions perspective relative to existing energy alternatives.²³

19. GreenField supports some level of subsidization to ensure fair access to natural gas for Northern and remote customers.²⁴ This subsidy could include, among other methods, a capital contribution from the government, some at-risk component offered by the project sponsor, or cross-subsidization from an incumbent utility's existing customer base.²⁵ Ultimate ratemaking must make sense in a dynamic financial context for major industrial customers, both in terms of the contract term that they are required to adhere to and the rate paid over that term. Ratemaking for new rural and remote expansions should therefore be consistent with the established ratemaking principles regularly applied by the Board, and as discussed at length by London Economics.²⁶

Issue 4(b): When performing the economic assessment for providing natural gas services to currently unserved communities, the Board should require consideration of all material financial aspects of a new natural gas service

20. GreenField submits that the Board should consider, as part of its Framework, an economic assessment, the capital and operating costs of service expansion and the resulting tolls and tariffs with all relevant demand assumptions in its economic assessment of extending natural gas service to communities. First, the Board should consider the capital costs and the operating costs of any proposed natural gas service expansion project. Second, the Board should consider the proponent's proposed tariffs and all demand assumptions. Finally, the Board should require limited sensitivity analysis in the event that certain customers do not connect and take the service.

²³ EB-2016-0004, GreenField Evidence, page 4, para 9.

²⁴ EB-2016-0004, Transcript Volume 4, 130:26-131:1.

²⁵ EB-2016-0004, GreenField Evidence, pages 5-6 at para 12.

²⁶ EB-2016-0004, GreenField Evidence, page 5, para 11.

21. Large industrial customers with long-term service contracts may be expected to contribute to natural gas system expansion, but only if the cost of the service offering is economic and efficient over its term. Any such proposed contributions should also be included in the economic assessment. However, large industrial customers, especially those competing in a competitive global market, cannot be used to artificially support, or hedge against, the risk of poor or limited customer connection rates. In short, major customers cannot be burdened with uneconomic terms and rates.²⁷ To avoid such an outcome, GreenField respectfully submits that the Board should require consideration all material financial aspects of a new natural gas system expansion as part of the Framework.

Issues 8 and 9: The Board should consider changes to the MFA and CPCN approval processes

22. GreenField submits that the Board should also consider changes to the MFA and CPCN approval processes in order to reduce barriers to natural gas expansion, allow for lower-carbon economy considerations, and ensure that large users of natural gas are appropriately and meaningfully consulted and engaged throughout the process.
23. GreenField generally supports competitive bidding as a process for awarding municipal gas franchises. However, the Board should take steps to ensure that competition does, in fact, result in the **intended benefits and efficiencies for customers**. Specifically, GreenField submits that the Board should mandate that any competitive selection process (bid, RFI, RFP or other) include the following elements: (1) minimum standard information requirements to ensure comparisons on a "apples-to-apples" consistent basis according to common criteria; (2) demonstrated efficiencies for customers, including large industrial customers, (3) meaningful consultation and engagement with major customers in advance

²⁷ EB-2016-0004, GreenField Evidence, page 5, para 11.

of the bid submission and after the bid is submitted, in a manner that respects all confidentiality requirements; (4) a role for significant large users in the process for approving a municipal gas franchise; and (5) assistance for municipalities and stakeholders from Board Staff related to the timing, process and framework for the MFA/CPCN approval process.

24. GreenField further submits that the MFA and CPCN approval hearings currently before the Board in EB-2016-0137, EB-2016-0138, and EB-2016-0139 (the **South Bruce Applications**) should not proceed until after the Board issues the Framework resulting from this proceeding and the South Bruce process is brought into compliance with the Framework. The evidence clearly indicated that the process used in the South Bruce Applications did not compare bids on an "apples-to-apples" basis, the winning bidder proposed a significantly higher rate for the service area's largest single natural gas user, GreenField, and the winning bidder failed to meaningfully consult with large industrial natural gas users in the service area before submitting its bid.

Bids must be evaluated on an "apples-to-apples" basis

25. GreenField submits that any process mandated by the Board must ensure that bids are evaluated on an "apples-to-apples" basis. There must be a transparent list of requirements²⁸ stipulated to bidders in advance of the bids. Bidders must also be provided with the criteria that municipalities will use to evaluate competing bids and the process by which bids will be assessed.
26. The importance of a list of common requirements was acknowledged by VECC's experts as being one of the essential elements of their recommended process:

²⁸ EB-2016-0004, Transcript Volume 4, 125:8-14

MS. DeMARCO: As I understand it, in a reverse auction, parties have a clear understanding of the essential elements of what is being bid on, is that right?

MR. HARITON: That's correct.

MS. DeMARCO: So the precise scope of the services; is that correct?

MR. HARITON: Yes. We have an interrogatory response, and I think it's – I'm trying to remember which one it is –

MS. DeMARCO: I think I've got it.

MR. HARITON: -- where we actually attach a 36-page or 39-page application guide to help communities and other step through the application process.

MS. DeMARCO: And one point of clarification there. In that document and throughout the evidence, it indicates that the winning bidder would be the entity requiring the lowest level of subsidization; is that right?

MR. HARITON: And satisfying the various requirements.

Ms. DeMARCO: And one of the –

MR. HARITON: There is a list of requirements.

MS. DeMARCO: Thank you. And one of those requirements would be the least cost of services to customers.

MR. HARITON: That would be one of the requirements.²⁹

27. GreenField submits that standardization of information and required disclosures is consistent with the Board's obligation to facilitate competition in the sale of gas to users, protect the interests of consumers with respect to prices and the reliability and quality of gas service, and facilitate the maintenance of a viable gas distribution industry, as set out in section 2 of the OEB Act.³⁰ As indicated above, these common criteria to be disclosed should include elements such as tariff structure, capital cost, operating costs, safety standards, and reliability information.³¹

²⁹ EB-2016-0004, Transcript Volume 4, 124:23-125:14.

³⁰ OEB Act, s. 2.

³¹ EB-2016-0004, Transcript Volume 4, 134:20-23.

28. To get maximum value in the bid processes bidders can add options that in addition to the bid criteria that the bid committee can consider to help lower their costs, increase their attachment area or improve their capacity for future growth. This allows for bidders' creativity, but keeps the base bid on the same bid criteria for bid selection reasons.

Cost effectiveness for large customers

29. GreenField submits that, as a condition of approval for any MFA/CPCN application, the proponent must demonstrate that the proposal and resulting rates are **cost effective for customers**, including large industrial customers. Specifically, large users must realize a commercial or other valuable benefit relative to their status quo energy arrangements, and should not be burdened with inefficient and uneconomic rates or terms.
30. GreenField is a large consumer of natural gas, making up over 50% of the demand for natural gas in its service area.³² Natural gas is the second-largest cost for GreenField at the Tiverton Plant.³³ Low energy costs were a significant factor in GreenField's decision to locate the Tiverton Plant in Kincardine.³⁴ The rate and term 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 GreenField's goals of maximizing efficiency while moving toward a lower-carbon economy.³⁵ Natural gas system expansion should **not** therefore be predicated on a major industrial customer representing more than 50% of demand being required to take on completely uneconomic service. And, any bid process that ends in such a result, cannot be effective and consistent with the Board's objectives.

³² EB-2016-0004, Transcript Volume 3, 189:3-24.

³³ EB-2016-0004, Transcript Volume 4, 128:28-129:1.

³⁴ EB-2016-0004, GreenField Evidence, page 2, para 5.

³⁵ EB-2016-0004, GreenField Evidence, pages 3-4, para 7.

31. GreenField requires a reasonable combination of an attractive rate and term to facilitate its economically-efficient transition to natural gas services through a distribution utility.³⁶ This transition will help GreenField compete in a global marketplace on a level playing field.³⁷ The cost and terms of the natural gas offering must be less costly than and at least as flexible as GreenField's current compressed natural gas arrangements (which GreenField sees as temporary). The Board should therefore mandate that all cost efficiencies and impacts for customers be included in any proposal as a part of the Framework.

Large customers must be meaningfully consulted in advance of a bid being submitted

32. GreenField submits the Board should require any bidders participating in a competitive bid process to meaningfully consult large industrial customers prior to submitting their bid. While competitive methods may facilitate efficient choices for customers, they do not guarantee it. In this regard, GreenField urges the Board continue its customer-focused approach by ensuring that the Framework requires that detailed and meaningful information on all aspects of a proposal be disclosed to significant ratepayers.
33. The interests of large users representing significant demand in a service territory are an important part of the business case for natural gas service expansion,³⁸ as errors in the demand estimates are likely to result in inefficient or stranded assets.³⁹ The evidence confirms that if large users are not consulted until *after* a bidder has been selected, it may result in tariffs being offered that are above a large user's current energy costs, terms that

³⁶ EB-2016-0004, GreenField Evidence, page 4, para 9.

³⁷ EB-2016-0004, GreenField Evidence, page 4, para 8.

³⁸ EB-2016-0004, Transcript Volume 3, 193:7-10.

³⁹ EB-2016-0004, Transcript Volume 4, 131:12-20.

are undesirable for a large user,⁴⁰ a proposed pipeline route that is not workable, and/or supply that is insufficient gas for the assumed demand.⁴¹

34. Engaging large users early on and throughout the process is extremely important to understanding demand and financial implications,⁴² and ensuring an efficient and effective competitive bidding process. GreenField therefore submits that the Board should require all bidders to meaningfully consult with large industrial users and ensure the relative accuracy of all demand assumptions before submit bids are submitted. Large customers should also be provided with standardized, pro forma rates and terms so they may assess their options and confirm or alter proposed demand assumptions.
35. The outcome of the RFI process used by the municipalities of Kincardine and Arran-Elderslie and the Township of Huron-Kinloss (the **South Bruce Municipalities**) to select a bidder to provide natural gas service by pipeline shows the importance of consulting with large customers early on. The South Bruce Municipalities had identified that the interests of large volume customers were quite important to making the business case for service expansion, yet the winning bidder did not consult with them in advance of the bid:

MS. DeMARCO: And part of that business case concludes that the interest of large volume customers are quite important; is that fair?

MR. MURPHY: Yes.⁴³

...

⁴⁰ EB-2016-0004, Transcript Volume 4, 133:18-20.

⁴¹ EB-2016-0004, Transcript Volume 4, 132:25-133:4.

⁴² EB-2016-0004, Transcript Volume 4, 156:22-27.

⁴³ EB-2016-0004, Transcript Volume 3, 193:7-10.

MS. DeMARCO: And looking very specifically at the question of benefits, it would not anywhere in here be reasonable for a major stakeholder to assume that they would be anything other than benefited from this process; is that fair?

MR. MURPHY: Well, the benefits were to flow to the people we identified. The medium would be the partner that we brought in to do it, and we would work with that partner to ensure those benefits to the constituency.

MS. DeMARCO: Right, and so going back to page 7, you clearly indicate that industry intended to be benefited; is that fair?

MR. MURPHY: Industry, individuals, commercial entities, everyone.⁴⁴

...

MR. CREIGHTON: During the process we were contacted by a number of the bidders to test out what our C&G costs, what type of tariff and term would work for GreenField, that would be acceptable for GreenField, a good project for GreenField. We were not consulted by the resulting winning bidder of the bid.

36. GreenField was contacted, in contrast, by a number of unsuccessful bidders in order to test their demand assumptions and assess GreenField's current natural gas costs, the type of tariff and term that would work for GreenField, and what, generally, would be acceptable to GreenField.
37. The winning bidder did not do so.⁴⁵ It only approached GreenField after its bid was chosen and did so with a pipeline route that was "**unworkable**"⁴⁶ and a proposed tariff that was orders of magnitude above GreenField's other proposed rates⁴⁷ and more than double GreenField's compressed natural gas costs for Tiverton.⁴⁸ To avoid future procedural failures and successful, but unworkable, bids of this nature, GreenField submits that the Board should mandate that the Framework include a process whereby companies seeking

⁴⁴ EB-2016-0004, Transcript Volume 3, 196:21 to 197:6.

⁴⁵ EB-2016-0004, Transcript Volume 4, 132:15-20.

⁴⁶ EB-2016-0004, Transcript Volume 4, 132:25-133:20.

⁴⁷ EB-2016-0004, Transcript Volume 4, 147:22.

⁴⁸ EB-2016-0004, Transcript Volume 4, 132:25-133:20.

to provide natural gas service in unserved rural, remote and First Nations communities must meaningfully test their proposal and assumptions with large users at the beginning of and throughout the process.

Approval process must include large users

38. GreenField submits that any process mandated by the Board for awarding a MFA must also include large users to ensure that those large customers' needs are adequately addressed in the selected bid. Major customers cannot be burdened with uneconomic terms and rates.⁴⁹ Had GreenField been part of the municipal approval process in South Bruce, such deficiencies and inaccuracies could have been remedied prior to selecting the winning bid. GreenField therefore submits that large users must be part of the selection or approval process for municipalities awarding a MFA, in a manner that respects all confidentiality requirements.

Board Staff should assist municipalities by explaining the timing, framework and process

39. GreenField submits that the Framework should also include stakeholder-focused process with Board Staff providing assistance and information in the form of community meetings to explain the timing, Framework and the process to municipalities and stakeholders. This would better ensure that the principles and Framework are properly applied by municipalities considering natural gas service and assist stakeholders in avoiding many of the issues that arose in the South Bruce Applications.

⁴⁹ EB-2016-0004, GreenField Evidence, page 5, para 11.

REQUESTED RELIEF

40. GreenField commends the Board in proceeding with this generic hearing to develop a natural gas Framework on its own motion. In the absence of this process, GreenField's concerns may have been relegated to a reactive role only after an inadequate RFI process was complete. GreenField therefore requests that all future natural gas expansion proceedings, including the South Bruce process, be subject to the Board's Framework resulting from this process.
41. GreenField is generally supportive of changes to the Board's EBO 188 methods and criteria in order to facilitate certain northern, rural, remote and First Nations natural gas expansions. However, the process must be fair and equitable and conducive to beneficial outcomes for customers.
42. GreenField therefore requests that the Board construct the Framework in a manner that ensures that the process for considering such expansions is competitive, open, transparent and both inclusive and reflective of major customer needs. The resulting Framework should ensure that: (a) resulting rates and terms provide customers with demonstrable benefits relative to the status quo, in the form of lower-cost, efficient-term energy alternatives; and (b) there is sufficient, detailed and standard information that is provided by all bidders in order to allow customers to make meaningful and well-informed choices at a time when the province is transitioning to a lower-carbon economy.
43. While competitive methods may facilitate efficient choices for customers, they do not guarantee it. In this regard, GreenField requests that the Board mandate that all cost efficiencies and impacts for customers be included in proposal as a part of the

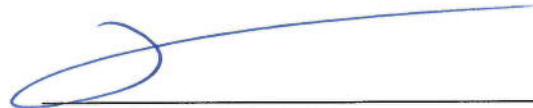
Framework. To this end, it is integral that any generic process to assess rural and remote expansions of the natural gas supply include major customers, such as GreenField.

44. Ultimate ratemaking must also make sense for major industrial customers in a dynamic financial and policy context, both in terms of the contract term and the rate paid over that term. Ratemaking for new rural and remote expansions should therefore be consistent with the established ratemaking principles regularly applied by the Board, but applied in an evolving public interest and policy context.
45. GreenField therefore requests that the Board:
 - (a) exercise its jurisdiction to implement a Framework that allows for limited cross-subsidization in order to facilitate rational expansion of the natural gas distribution system;
 - (b) stipulate that economic assessment of natural gas expansion include the proposed capital and operating costs of the project, as well as the proposed pro forma terms and tariffs that would apply to customers in the service territory, including related sensitivity analyses; and
 - (c) take steps to ensure that competition does, in fact, result in the **intended benefits and efficiencies for customers** by mandating that any competitive selection process (bid, RFI, RFP or other) include the following elements:
 - (i) minimum standard information requirements to ensure comparisons on a "apples-to-apples" consistent basis according to common criteria;
 - (ii) demonstrated efficiencies for customers, including large industrial customers;

- (iii) meaningful consultation and engagement with major customers in advance of the bid submission and after the bid is submitted, in a manner that respects all confidentiality requirements;
- (iv) a role for significant large users in the process for approving a municipal gas franchise; and
- (v) community meetings with Board Staff to assist municipalities and stakeholders on the understanding and implementation and application of the Framework.

ALL OF WHICH IS RESPECTFULLY
SUBMITTED THIS

20th day of June, 2016



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