

September 1, 2017

BY RESS & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited  
2018 Sudbury Replacement Project  
Board File #EB-2017-0180**

This is Union Gas Limited's reply submission in the above-noted proceeding. The reply is made in response to submissions by Board Staff and should be read in connection with Union's pre-filed evidence and answers to interrogatories. For the reasons that follow, Union respectfully requests that the Board approve its application for leave to replace two sections of the existing NPS 10 diameter pipeline located in the City of Greater Sudbury with 20 km of NPS 12 diameter pipeline.

### **Overview**

In general, Board Staff supports the Project, and states that it "has no concerns with the need for the Project based on management of the Sudbury system."<sup>1</sup> Board Staff raises no concerns with the project cost and economics, the environmental assessment, indigenous consultation or landowner matters. However, Board Staff opposes the increase in size of the pipeline from NPS 10 to NPS 12 because, in its view, Union did not submit sufficient evidence regarding the need to increase the pipeline from NPS 10 to NPS 12.<sup>2</sup> The increase in pipe size represents only \$1.5 million of the \$74 million project cost.

Contrary to Board Staff's submission, the evidence supports the need and prudence of increasing the size of two sections of the existing pipeline from NPS 10 to NPS 12. An NPS 12 pipeline is needed to meet forecasted demand beginning in the winter of 2020/21. The Board has recognized that "increase in pipeline diameter is an acceptable approach to provide needed capacity for anticipated growth along the Sudbury pipeline system".<sup>3</sup>

Board Staff's position that the pipeline should remain at its current size ignores Union's evidence that an NPS 12 pipeline is required to meet forecasted demand and will be fully utilized within eight years. An NPS 10 pipeline will not meet forecasted demand past the winter of 2020/21. Even at NPS 12, the pipeline

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<sup>1</sup> Board Staff submissions, p. 2.

<sup>2</sup> Board Staff submissions, p. 3.

<sup>3</sup> Board's decision in EB-2016-0122, p. 4.

will be at capacity by the winter of 2027/28. If anything, Union's selection of an NPS 12 pipe size is conservative.

If Board Staff's position were accepted, Union would be required to add further capacity to the system to meet forecasted demand for the 2020/21 winter by building a wholly new pipeline. The cost of doing so would substantially exceed the modest cost of \$1.5 million to increase the pipe to NPS 12 as part of this proposed project. It would be neither cost-effective nor responsible from a system planning perspective for Union to build the Proposed Facilities with an undersized pipe that will not be able to meet forecasted demand past the winter of 2020/21.

### **A pipe size increase is needed to meet forecasted demand beginning in 2020/2021**

Increasing the size of the pipe from NPS 10 to NPS 12 is required to meet currently forecasted demand starting in 2020. As set out in Union's response to Board Staff interrogatory 1(a), the Sudbury general service growth is predicted to be approximately 1,400 m<sup>3</sup>/hr per year, which would utilize the incremental capacity created by the NPS 12 pipeline within approximately eight years.<sup>4</sup> The existing pipeline is currently operating at approximately 98% of its full load capacity.<sup>5</sup>

In its submissions, Board Staff states that Union did not provide further evidence to support its evidence that the incremental capacity would be used within eight years.<sup>6</sup> Board Staff also states that it is "unsure whether the incremental capacity provided by the three approved and completed Sudbury replacement projects (EB-2015-0042; EB-2016-0122 and EB-2016-0222), has been fully utilized."<sup>7</sup>

Contrary to Board Staff's arguments, the incremental capacity created by upsizing the pipe to NPS 12 is needed beginning the winter of 2020/2021. Attached at Schedule 1 is a table that shows the system requirements for the Sudbury area from 2016/17 to 2027/28.

The table shows the year-to-year incremental increase in system load for the Sudbury area, calculated based on an incremental 1,400 m<sup>3</sup>/hr per year identified in Union's responses to Board Staff's interrogatory 1(a). In summary, the total system volume requirement is forecasted to increase to 190,561 m<sup>3</sup>/hr for the 2020/2021 winter, and to continue to increase thereafter.

If approved, the NPS 12 pipeline would create 10,488 m<sup>3</sup>/hr of incremental capacity,<sup>8</sup> bringing the total capacity of the Sudbury area system to 200,526 m<sup>3</sup>/hr from the 190,038 m<sup>3</sup>/hr in capacity resulting from the existing Board-approved projects in EB-2015-0042, EB-2016-0122 and EB-2016-0222.<sup>9</sup> The incremental capacity from the NPS 12 pipeline would therefore be used beginning in the winter of 2020-2021.

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<sup>4</sup> Union response to Board Staff interrogatory 1(a).

<sup>5</sup> Union response to Board Staff interrogatory 1(b).

<sup>6</sup> Board Staff submission, p. 3.

<sup>7</sup> Board Staff submission, p. 3.

<sup>8</sup> Union pre-filed evidence, paras. 20, 29.

<sup>9</sup> Union's response to Board Staff interrogatory 2(c); see also Union's response to Board Staff interrogatory 6(a) in EB-2016-0222.

As reflected in Schedule 1, even at an NPS 12 size, the total system capacity of 200,526 m<sup>3</sup>/hr will be exceeded by the winter of 2027/28, when total demand is expected to reach 201,200 m<sup>3</sup>/hr.

The demand forecast reflected on Schedule 1 is conservative. It does not reflect any increase in firm contract load over the forecast period, even though the discussions Union has had with commercial customers in the Sudbury area indicate that these customers expect to increase their load profile in the future, but are not in a position to sign incremental contracts at this time. The increases in load are based solely on an increase in new regular rate (general service) customer loads.<sup>10</sup>

Board Staff also states that Union did not “consider potential gas demand related to the new provincial Cap and Trade and Climate Change Action Plan.”<sup>11</sup> This too is wrong; Union did consider the Cap and Trade Action plan. However, as set out in Union’s response to Board Staff interrogatory no. 1(d), Union is not forecasting that peak hour demands will decrease as a result of the Cap and Trade program.<sup>12</sup>

Union has established a need for replacing the two segments of pipeline with an NPS 12 pipe as of the winter of 2020/2021, and that the incremental capacity will be fully used as of the winter of 2027/2028. Therefore, there is no basis on which the pipe should be approved at a size of NPS 10 rather than NPS 12.

### **No cost-effective alternative**

Board Staff’s position also fails to consider the substantial costs and inefficiency of adding incremental capacity through a subsequent project or projects to be brought into service in time for the 2020/2021 winter. Obtaining the required incremental capacity through alternative projects would cost ratepayers substantially more than the \$1.5 million needed to increase the size of the proposed pipe from NPS 10 to NPS 12.

As identified in Union’s pre-filed evidence, the alternative to obtaining incremental capacity of 10,488 m<sup>3</sup>/hour would be to loop the Sudbury system with a third pipeline, which would consist of 5 kilometers of NPS 12 pipe at a cost of approximately \$13 million.<sup>13</sup> Union would need to apply to the Board for these additional facilities within one year of the construction being completed on the current project. This would be substantially more costly for ratepayers than obtaining the required incremental capacity by increasing the size of the pipe now.

### **Increasing the pipeline size will also improve operational efficiency**

Further, as set out in Union’s pre-filed evidence, an NPS 12 pipeline will bring the pipeline to the same diameter as the remaining sections not being replaced. The fact that the pipeline is currently dual diameter (NPS 10/ NPS 12) makes the maintenance and inspection of the pipeline significantly more difficult and limits the tools that are available to properly complete the required inspections, which increases the cost of

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<sup>10</sup> Union’s pre-filed evidence, paras. 21-24; Union’s answers to Board Staff interrogatory 1(a).

<sup>11</sup> Board Staff submission, p. 3.

<sup>12</sup> Union response to Board Staff interrogatory 1(d).

<sup>13</sup> Union’s pre-filed evidence, para. 29.

maintaining and operating the pipeline.<sup>14</sup> A single diameter pipeline is less expensive to operate and provides better-quality data that meets industry standard expectations for in-line inspections.

In summary, increase it size of the pipeline segments to NPS 12 from NPS 10 – at a relatively modest cost of \$1.5 million of the \$74 million total project cost – is needed to meet forecasted demand and is the most cost-effective and efficient alternative. For these reasons, Union respectfully requests that the Board approve the application as filed, including the proposed increase in size to an NPS 12 pipeline.

#### **Update regarding landowner negotiations**

Finally, Union takes this opportunity to provide an update to the Board regarding landowner negotiations, as time has elapsed since Union filed its responses to Board Staff interrogatories. Union currently has 57% of the necessary land rights in place. The largest directly-affected landowner, Vale, has signed the necessary land agreements for construction to be completed.

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If you require any additional information or have any questions in regard to these submissions, please contact the undersigned.

Sincerely,

*[original signed by]*

William T. Wachsmuth,  
Senior Administrator, Regulatory Projects

cc: Nancy Marconi, OEB  
Zora Crnojacki, OEB

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<sup>14</sup> Union pre-filed evidence, paras. 4, 17; Union response to Board Staff interrogatory 3.

Sudbury Area  
 Customer and Volume Forecast 2016/17 to 2027/28

	Winter Design Day (51.9 HDD) Demands in m3/hr											
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
New Regular Rate Customers	662	671	679	688	697	706	715	724	733	743	752	762
Regular Rate Volume (2)	108,110	109,499	110,907	112,332	113,776	115,238	116,719	118,219	119,738	121,277	122,836	124,415
Firm Contracts	76,785	76,785	76,785	76,785	76,785	76,785	76,785	76,785	76,785	76,785	76,785	76,785
Total	184,895	186,284	(1) 187,692	189,117	190,561	192,023	193,504	195,004	196,523	198,062	199,621	201,200

Capacity of Projects Recently Approved by OEB in the Sudbury Area

Project	Incremental Capacity	System Capacity
EB-2015-0042	414	188106
EB-2016-0122	690	188796
EB-2016-0222	1242	190038
EB-2017-0180 (3)	10488	200526

Notes

- (1) Colour indicates the winter the project is expected to last through
- (2) Future Regular Rate Growth is based on 1.3%/year
- (3) Project Not Yet Approved