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 Applications to serve the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss with natural gas distribution services.

EB-2016-0137 / EB-2016-0138 / EB-2016-0139

Greenfield Global Inc.

SUBMISSIONS

January 25, 2018

INTRODUCTION

1. We are counsel to Greenfield Global Inc. (**Greenfield**) in the application by each of Union Gas Ltd. (**Union**) and EPCOR Southern Bruce Inc. (**EPCOR**, and together with Union, the **Applicants**) to serve the Municipality of Arran-Elderslie, the Municipality of Kincardine, and the Township of Huron-Kinloss (collectively, **South Bruce**) with natural gas distribution services (the **Applications**).

2. 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**). 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 South Bruce service area. We estimate that Greenfield constitutes up to 50% of Union's total 10-year volume estimate and 42% of EPCOR's 10-year volume estimate set out in the Applications. 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. Greenfield has coordinated its intervention with other major industrial entities that will be directly affected by the provision of natural gas service in the proposed service area, including 7 Acres. Together, these entities represent a significant part of South Bruce's natural gas demand.

3. In Greenfield's view these volume estimates are important, and from a large industrial customer's perspective it would have been preferable to get firm volume commitments within the context of each bid. It is noteworthy that industrial volumes constitute a significant part of each of the Applications, making up 54% of Union's and 63% of EPCOR's volume estimates.

OVERVIEW

4. Greenfield supports the bid process as a means of finding lower-cost options for customers seeking supply of natural gas to South Bruce. Union's Application commits to a large residential and commercial segment of the community and includes a higher customer attachment rate in their bid. EPCOR's Application has higher industrial volumes than originally envisioned and EPCOR is taking on the risk of the increased industrial volume estimates that are now included in its Application. Regardless of which proponent is selected to build the pipeline, Greenfield believes that the bid process should result in lower pipeline tariffs to all customers in South Bruce.

5. Greenfield's submissions are organized as follows: (i) issues for the Ontario Energy Board (the **Board**) to consider when evaluating the assumptions underlying volume estimates in the Applications; (ii) contractual obligations supporting industrial volume estimates; and (iii) insulating customers from additional costs if either Union's or EPCOR's assumptions supporting volume estimates in their Applications deviate from actual contracted volumes.

SUBMISSIONS

(i) Issues for the Board to Consider When Evaluating the Assumptions Underlying Volume Estimates in the Applications

6. Greenfield submits that the Board should carefully evaluate the assumptions supporting each Application's industrial customer volume forecasts to ensure an "apples-to-apples" comparison between the Applications and that the forecasts are compatible with provincial and federal climate change policies and objectives.

7. The bid process has generated many different metrics and there is the potential to misalign comparisons, resulting in an "apples-to-oranges" comparison. Greenfield submits that the Board should take care when comparing each metric to ensure that the figures provided in each Application are directly comparable. For example, for forecasted volumes and revenue requirements, EPCOR introduced capacity volumes mixed with forecast throughput volumes for residential and commercial customers. There was also misalignment between the start dates in the Applications. Although the Board and the Applicants agreed that volumes for residential and commercial customers should start mid-year in the revenue requirement analysis, in Year 1 the residential and commercial volumes cannot commence until the pipeline is operational. Greenfield therefore submits that the rate stability period should start on the date the gas starts flowing to ensure a fair comparison of the Applications.

8. Greenfield supports the Board's interrogatories requesting the Applicants provide volume delivered in the appropriate metric to ensure an apples-to-apples comparison of the Applications. Greenfield hopes to ensure that the winning Applicant is held accountable for the metrics it has submitted.

9. There appear to be discrepancies in the Applications in the assumptions supporting forecasted industrial customer volumes. Greenfield has calculated EPCOR's cumulative 10-year NAC volume for industrial customers to be 214,325,961 m^3.[1] This figure is 58,498,961 m^3 greater than Union's forecasted volume, despite Union and EPCOR each forecasting the same three industrial customers. Although this material difference in estimated industrial volumes between the Applications is not clearly explained in

[1] The Board requested cumulative 10-year NAC volumes with (342,186,741 m^3) and without industrial customers (127,860,780 m^3). The difference between these two figures (214,325,961 m^3) provides industrial customer NAC volumes over the 10-year period.

EPCOR's Application, EPCOR stated in their original CIP application that their forecasted industrial volumes included only boiler-based heating and cooling natural gas:

> 20. Table 7 below compares the existing boiler based heating and cooling natural gas volumes proposed under this CIP application to the OEB with additional demand volumes under **an expanded co-generation scenario** to meeting the heating, cooling and electricity needs of this facility […]. [Emphasis added]

Description	Under Existing CIP Application with Boiler based HVAC	Based on Co-Gen HVAC with Electricity Generation at existing Facility	Based on Expanded Facility with Co-Gen
Volumes of Natural Gas Consumed m^3/year	2,000,000	8,250,000	12,500,000
Impact to $/m^3$ on this CIP Application	0%	-3%	-8%
Resulting $/m^3$ on this CIP Application	0.1766	0.1710	0.1623
MW of Electricity Produced	0.0 MWe	3.3 MWe	5.0 MWe
MW of Thermal Energy Produced	2.5 MWth	5.0 MWth	7.5 MWth

10. Specifically, there appears to be a discrepancy between: (i) EPCOR's October 16, 2017, submissions indicating an increased volume of 57 million m^3 based on combined heat and power demand and (ii) EPCOR's January 11, 2018, submissions indicating an increased volume of 58 million m^3 with no combined heat and power, but with fuel switching. It is difficult to understand how the two conditions (with and without combined heat and power) could result in a near identical volume demand estimate.

11. However, EPCOR states in their responses to Interrogatory 5 that there is no co-generation included in the CIP application and that fuel switching is included.[2] Greenfield submits that the Board should require EPCOR to explain its 58,498,961 m^3 higher forecasted industrial customer demand before the Board chooses the winning bid.

[2] EB-2016-0137 / EB-2016-0138 / EB-2016-0139, EPCOR Southern Bruce Gas Inc., Responses to Interrogatories dated January 11, 2018, at 9.

12. Greenfield further submits that the Board should ensure that each of EPCOR's and Union's volume assumptions are consistent with current and forthcoming provincial and federal climate change policies and objectives, including: (i) Ontario's low carbon fuel standard, (ii) the federal Clean Fuel Standard, and (iii) Ontario's Climate Change Action Plan. These policies are likely to materially affect demand for fossil fuels and any assumptions regarding forecasted demand for fossil fuels should take into account their effects.

13. In making these submissions, Greenfield understands that the Board has excluded upstream pipeline reinforcement costs from its consideration of the Applications. Nonetheless, Greenfield strongly believes that the Board must continue its oversight to ensure that customers and the Applications are not materially altered and/or negatively affected by such costs.

(ii) Contractual Obligations Supporting Industrial Volume Estimates

14. Greenfield submits that the Board should diligently ensure that industrial customer volume assumptions in each Application are supported by contingent contractual obligations prior to awarding a bid. As there is some factual uncertainty associated with the assumptions supporting forecasted industrial customer volumes, the presence of a contract between an industrial customer and an Applicant would support that Applicant's industrial customer volume forecasts and help minimize the risk of the pipeline failing due to achieving lower than forecasted industrial customer attachment rates if the subsequent tariffs are uneconomic for industrial customers. Doing so would be in line with the Board's statutory responsibilities under s. 2 of the *Ontario Energy Board Act, 1998*[3] to protect the interests

[3] SO 1998, c 15, Sched B.

of consumers with respect to price and the reliability of gas service and to facilitate the rational expansion of natural gas distribution systems.

(iii) Insulating Customers from Additional Costs if Either Union's or EPCOR's Assumptions Supporting Volume Estimates in Their Applications Deviate from Actual Contracted Volumes

15. EPCOR and Union both provided revenue requirements for their proposals with and without industrial customers. The Board requested that EPCOR and Union provide a revenue requirement for their proposal excluding industrial volumes and including only the cost of the connection pipeline to the industrial customers in the analysis. All other design parameters were to remain the same.

Table 1: Comparison of Incremental Revenue from Industrial Customers

NAC Values and Metrics		EPCOR	Union
Metric	**Unit**	**Value**	**Value**
NPV of 10-year Revenue Requirement with industrial customers	$	59,072,317	55,295,000
NPV of 10-year Revenue Requirement without industrial customers	$	56,188,996	54,640,000
Difference:	**$**	**2,883,321**	**655,000**
Industrial volumes	m^3	214,325,961	155,827,000
Incremental revenue for industrial customers	$\$/m^3$	0.0135	0.0042

16. Greenfield submits that the Board should require EPCOR and Union to reconcile the higher cumulative incremental industrial revenues prior to selecting the successful Application. Both EPCOR and Union were only allowed to remove the industrial connecting pipeline and not the design of the main pipelines. The length of the removed

line, as mentioned in Union's Application, was 1.4 km. It is unclear why the Applicants would have such different revenue requirements for the same connection line, and this warrants clarification by the Board.

17. In the event that the assumptions underpinning volume estimates in the Applications are not borne out in reality, the Board should ensure that customers are kept whole and not exposed to any negative rate consequences of the Applicants' assumptions and/or forecasts which were not realized. Put simply, if the winning Applicant's total volume estimates do not materialize, the revenue deficiency should not be borne by customers.

18. Greenfield further submits that if the conditions that support the EPCOR industrial volume estimate do not materialize, EPCOR must assume the revenue deficiency and industrial customers should not bear the costs of the forecasted industrial volumes both during and after the 10-year rate stability period. Greenfield also submits that the Board should consider implementing a further rate stability period after the 10-year period if the estimated volumes are not realized.

REQUESTED RELIEF

19. Greenfield therefore requests that the Board take the following actions prior to choosing the successful Application:

    (a) order that the rate stability period start on the date the gas starts flowing;

    (b) resolve EPCOR's approximately 58 million m^3 higher forecasted volume related to industrial customer demand;

(c) consider whether the volume assumptions in each Application are consistent with the current and forthcoming provincial and federal climate change policies and objectives, including: (i) Ontario's low carbon fuel standard, (ii) the federal Clean Fuel Standard, and (iii) Ontario's Climate Change Action Plan;

(d) ensure that all customers are protected from upstream pipeline reinforcement costs associated with each Application, which have not been considered by the Board in this proceeding, and ensure that customers and the Applications are not materially affected by upstream pipeline reinforcement costs;

(e) ensure that industrial customer volume assumptions in each Application are supported by contractual obligations;

(f) require EPCOR and Union to reconcile the very disparate cumulative incremental revenues for each of their industrial pipeline connections;

(g) ensure that each Applicant bears the burden of any revenue deficiency associated with an over-estimate in industrial volumes and that industrial customers do not bear the costs of any such volume discrepancy during the 10-year rate stability period and for a reasonable period following it if the volumes do not materialize; and

(h) consider what, if any, further customer protections may be required after the 10-year rate stability period if the estimated volumes are not realized in the first 10-year rate stability period.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS

25th day of January, 2018

Lisa (Elisabeth) DeMarco
DeMarco Allan LLP
Counsel for Greenfield

Cary Ferguson
DeMarco Allan LLP
Counsel for Greenfield