

OM Limited Partnership

Response to Interrogatory by
Board Staff

Staff-1 Ref: OMLP Application, Section 1, p. 4 Preamble:

It is stated that Union Gas is currently servicing Maricann's existing facility, located on a property leased by Maricann in the north half of Lot 2, Concession 7, geographic Township of North Walsingham.

Question:

- a) Given that the existing Maricann facility is under contract with Union Gas, is OMLP aware whether there will be a penalty to Maricann for terminating that contract early?
- b) Please provide a summary of discussions to date with Union Gas regarding its ability to provide natural gas service to the new Maricann facility.
- c) Please discuss why the alternative of having Union Gas serve the new Maricann facility was rejected.

Response:

Maricann Group Inc. (Maricann) has provided OMLP the following information in response to this interrogatory question.

- a) The existing facility will not terminate the contract. The new facility is on a separate property and not on the existing Union contract.**
- b) Maricann reached out to Union Gas Limited (Union). Union's response time was too long given the live construction environment. When a cost estimate was received, it was deemed to exceed the tentative budget.**
- c) Communication and correspondence responsiveness was lacking given the live construction environment and timelines.**

Staff-2 Ref: OMLP Application, Section 1, p. 4 Preamble:

It is stated that if OMLP's application is approved, local landowners will receive increased royalties paid on local gas produced.

Questions:

- a) Please explain the nature of the existing royalty agreements; specifically, please confirm whether landowners are compensated based on length of pipeline installed, volumetric throughput, or some other means.
- b) Based on the answer to part a) of this interrogatory, please explain why royalties would increase.

Response:

- a) **Landowners receive a percentage of gross revenue from the sale of natural gas in the form of a royalty paid monthly.**
- b) **Royalties will increase due to a higher price of natural gas received by the OMLP when supplying Maricann as opposed to delivering natural gas to Union.**

Staff-3 Ref: OMLP Application, Section 3, p. 6 Preamble:

It is stated that the gas produced from ON-Energy's 150 gas wells in the County of Norfolk is currently sold into Union's pipeline system at three different locations. Approximately half of the production is sold through Union Gas' Maybees and Charlotteville stations and the remaining 50% of production at Union Gas' Tillsonburg Station.

Question:

To the best of OMLP's knowledge, does a portion of ON-Energy's locally produced gas get distributed by Union Gas to consumers in the County of Norfolk? Please explain

Response:

It is anticipated that natural gas delivered to Union at the Maybees and Charlotteville stations are delivered directly to local customers and do not pass through the Dawn hub. It is also anticipated that natural gas delivered to Union in Tillsonburg does not pass through the Dawn hub.

Staff-4 Ref: OMLP Application, Section 5, p. 8 Preamble:

It is stated that the new Maricann facility will consume between 300,000 and 350,000 GJ/yr at peak capacity. Using a conversion rate of 38.9 GJ/103m³, OEB staff estimates this to be between 7.7 million and 9.0 million m³ of natural gas per year.

Questions:

- a) Please confirm that 38.9 GJ/103m³ is a reasonable conversion factor for ONEnergy's locally produced gas. If not, please provide an appropriate conversion factor.
- b) If the conversion factor used by OEB staff is inaccurate, please use the more accurate conversion factor provided in part a) of this question to calculate and provide the estimated volumetric consumption of the new Maricann facility at peak capacity in m³/yr.
- c) If the estimated peak consumption of the new Maricann facility is no longer estimated to be between 300,000 and 350,000 GJ/yr at peak capacity, please provide the new estimate in both GJ/yr and m³/yr.
- d) What would Maricann do to meet its energy needs at its new facility in the event that gas supply from OMLP was interrupted for an extended period of time?
- e) Please explain OMLP's understanding of section 36 of the Ontario Energy Board Act, 1998 and section 3 of Ontario Regulation 61/99 with respect to the need for rate regulation of companies supplying more than 3,000,000 m³/yr of natural gas to a customer and how this requirement may apply in this case.

Response:

- a) **Gas analysis from wells in the general area vary from 37.7 to 38.2 MJ/m³ (average 38.0 MJ/m³).**
- b) **At the hourly peak Maricann capacity of 71 to 72 GJ/hr will require a gas volume of 1.89 10³m³/hr.**
- c) **The annual peak consumption will still be between 300,000 and 350,000 GJ/yr.**
- d) **The Maricann facility will be supplied with Compressed Natural Gas in the event that supply from OMLP is interrupted.**
- e) **OMLP has reviewed section 36 of the OEB Act and O.Reg 161/99 Section 3. OMLP does not see itself as a transmitter, distributor or storage company. OMLP is an owner of its gas production taken from its gas gathering line and a part owner of the Maricann Facility. As such, the requirements and thresholds listed in O.reg 161/99 Section 3 and section 36 of the OEB Act, do not appear to be applicable.**

Staff-5 Ref: OMLP Application, Section 1, p. 4 Preamble:

It is stated that OMLP's gas wells that will serve the new Maricann facility have current production capabilities of approximately 600 GJ per day. Assuming the same conversion rate as the previous question (i.e., 38.9 GJ/103m³) and 365 days of production per year, OEB staff estimates this to be approximately 5.6 million m³ of natural gas per year.

Questions:

- a) If the conversion factor assumed by OEB staff is inaccurate, please use the more accurate conversion factor provided in question 4 a) to calculate and provide the estimated volumetric production.
- b) If the estimated production is no longer 600 GJ/day, please provide the new estimate in both GJ/yr and m³/yr.
- c) With reference to the answers to a) and b) above, and the previous interrogatory (Staff 4), please compare the most accurate estimated annual demand for the new Maricann facility and the most accurate estimated annual production from OMLP's gas wells. If the production is less than demand, please explain how OMLP proposes to meet the full demand of the new Maricann facility.
- d) What would OMLP do with the gas produced by ON-Energy in the event that the Maricann facility were to shut down operations for an extended period of time (e.g., an incident due to flood, fire, etc.)?

Response:

- a) **Using the average local area natural gas heating value of 38.0 MJ/m³, 600 GJ/day of production will require a volumetric production rate of 15.8 10³m³/D.**
- b) **The estimated production will be about 550 GJ/D, which is equivalent to 200,000 GJ/yr, or 5,283 10³m³/yr.**
- c) **OMLP will attempt to secure local natural gas supplies to meet Maricann's growing requirements. OMLP has pipeline which runs to the Lakeview, Lake Erie, natural gas offtake site where 76,455 m³ of natural gas is brought onshore. OMLP is in initial discussions with several local producers to secure natural gas supply for Maricann's growing needs.**
- d) **Additional supply will be sold through existing channels or shut in until an alternate market is found.**

Staff-6 Ref: OMLP Application, Section 6, p. 9 Preamble:

It is stated that upgrades to the existing pipeline system will include the installation of approximately 3.7 kilometers of new NPS 4 HDPE pipeline on County Road 8.

Question:

- a) Does OMLP consider the 3.7 kilometer pipeline to be a natural gas production gathering system pipeline or a natural gas distribution system pipeline? Please explain.
- b) If OMLP's Application is denied by the OEB, will it or ON-Energy proceed with the construction of the 3.7 kilometer pipeline in any event? Please explain.
- c) Please provide the estimated capital cost of the 3.7 kilometer pipeline.

Response:

- a) **OMLP considers this a natural gas production gathering system pipeline. It is used to move untreated raw natural gas.**
- b) **It is part of our gathering system and as such does not require OEB approval as the OEB does not approve gathering pipeline systems.**
- c) **The estimated capital cost of the 4" 3.7 kilometer pipeline is \$335,000.**

Staff-7 Ref: OMLP Application, Site Plan DWG SP 2

Question:

Please provide a version of Site Plan SP 2 that clearly shows the proposed tie-in system complete with offsets from major features (e.g., edge of asphalt County Road 8, Maricann driveway, building lines, etc.), the NPS 4 HDPE pipeline on County Road 8, and the service pipeline connecting the two.

Response:

Please see attached site plan (Attachment 1).

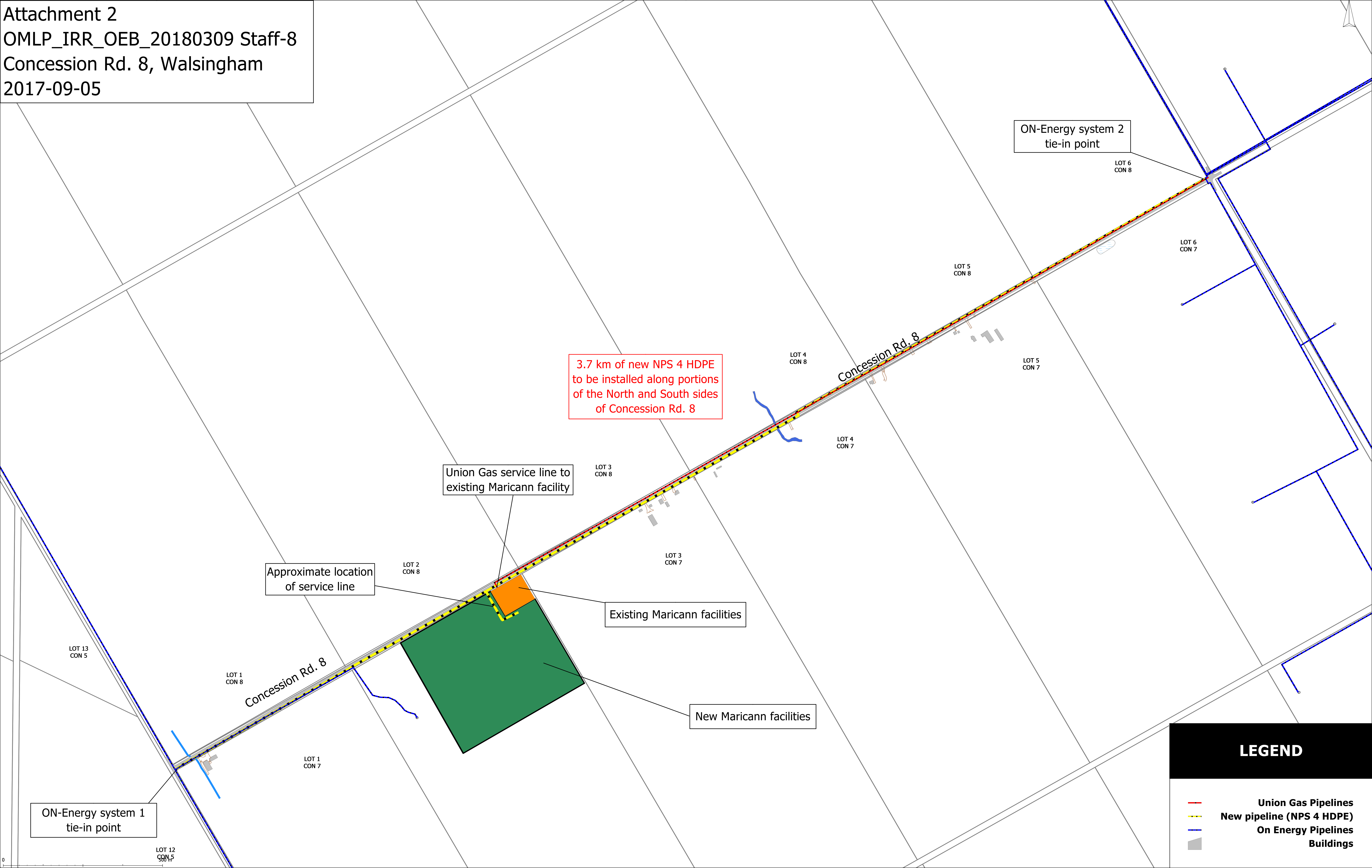
Staff-8 Ref: OMLP Application, Site Plan DWG SP 2 and Appendices 1-7

Question:

Please provide a map showing ON-Energy pipelines in the vicinity of the new Maricann facility including the entire length of the new 3.7 km pipeline, the proposed tie-in system and the service pipeline to the new Maricann facility. If possible, please also show the approximate location of the Union Gas distribution main and service line that provide gas to the existing Maricann facility.

Response:

Please see attached map (Attachment 2).



LEGEND

- Union Gas Pipelines
- New pipeline (NPS 4 HDPE)
- On Energy Pipelines
- Buildings