

May 22, 2018

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: EB-2018-0013 – Union Gas Limited (“Union”) – Interrogatory Responses for
Kingsville Transmission Reinforcement Project**

Please find attached Union’s responses to the interrogatories in the above-noted proceeding.

Should you have any questions or would like to discuss in more detail, please contact me at 519-436-5473.

Yours truly,

[original signed by]

Karen Hockin
Manager, Regulatory Initiatives

Encl.

cc: C. Keizer, Torys
M. Seers, Torys
EB-2018-0013 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #1

Reference: Evidence Exhibit A, Tab 3, page 3, lines 7-14; Exhibit A, Tab 6, page 1, lines 17-20 and page 2, lines 1-2; Tab 7, page 3, lines 17-22.

Preamble:

Union stated that the need for the proposed reinforcement and 2019 in-service date is twofold:

1. To address the increasing demand for firm service in the Panhandle System Market (general service customers (residential, commercial and small industrial) and contract rate customers (including greenhouse operators in the Kingsville- Leamington and Chatham-Kent areas))
2. To eliminate constraints within the Kingsville-Leamington high pressure distribution system which prevent customer attachments, even though Panhandle System capacity is available.

Union further indicated that although the 2020 in-service date is necessary to meet the overall Panhandle System forecast demand, it proposes a 2019 in-service date to eliminate the need for incremental distribution facilities in the Leamington-Kingsville area.

According to Union's evidence, the general service customers' market demand is approximately 45% of the Panhandle System Design Day demand and the contract rate market demand is approximately 55% of the Panhandle System Design Day demand.
Contract rate customers include the greenhouse operators.

Questions:

- a) Please describe the impact of a 2020 in-service date on gas supply contractual arrangements with the greenhouse firm contract customers in i) the Leamington- Kingsville area; and ii) the Chatham-Kent area.
 - b) What is the difference in the total construction cost between a 2020 in-service date and a 2019 in-service date for the proposed reinforcement, as Union requested, including additional distribution facilities that Union has said would be required if the in-service date were in 2020 rather than 2019?
-

Responses:

- a) (i) Union firmly believes that a delay until 2020 is not in the customers' best interests. An in-service date of 2019 has been proposed as it is the most cost effective and customer responsive option. There is no economic nor customer service based reason to defer the project until 2020 which would result in increased customer costs as well as customer and market disruption.

Union has indicated the need to accelerate the in-service date to 2019 to address not only the increased customer demand but also the constraint on the distribution system which would not allow customers to attach to the system¹.

Other than proceeding with the \$10.4 million in 2019 distribution reinforcement which was rejected as an alternative because it would become redundant², a 2020 in-service date would result in Union providing formal notice of cancellation of firm gas distribution contracts to customers where an executed contract exists for service commencing in fall 2019. Formal notice is required, as per the gas distribution contract. The executed firm distribution contracts include the expected in-service date of the project along with a condition precedent that the Board grants leave to construct the Proposed Project.

As of May 22nd Union has executed 14 firm contracts with greenhouse customers that would need to be canceled. Once these contracts are canceled, Union would then need to begin the process of recontracting with these customers for the delayed in-service date. Additionally, there are 20 incremental customers Union is currently negotiating contracts with who have expressed interest in additional natural gas capacity created by the Project. These customers would also need to be informed that the in-service date would be delayed to fall 2020.

Greenhouse operations can be built and become operational in a short period of time – as little as six months. With a delay to a fall 2020 in-service date, there is risk that customers in the Leamington-Kingsville area will change their expansion plans. Without the certainty that natural gas will be available in the quantity and timeframe needed, customers may either cancel their expansion plans altogether or, move to another jurisdiction outside of Ontario that is prepared to support their growing business needs³.

- (ii) For firm greenhouse customers in the Chatham-Kent area, there are no impacts of a 2020 in-service date on gas supply contractual arrangements with the greenhouse firm contract customers. Depending on the specific location in Chatham-Kent in which the growth occurs, further distribution reinforcement may be required.

¹ Exhibit A, Tab 3, page 3, lines 7-14.

² Exhibit A, Tab 8, page 13, Section 4.4.

³ Exhibit A, Tab 3, page 4, lines 1-12.

- b) The impact of a one-year delay from 2019 to 2020 is shown in the alternative list (Exhibit A, Tab 8, Schedule 1) as Alternative 4 and the financials are summarized in Table 9-1 (reproduced below). Line 13 of Table 9-1 shows the cost increase to be \$13.6 million for a one year delay. This is comprised of \$10.4 million for distribution facilities required in 2019 to accommodate a one year delay in constructing the NPS 20 Proposed Pipeline plus \$3.2 million in cost inflation on the NPS 20 Proposed Pipeline. The \$3.2 million is based on an assumption of a 3% cost increase on the 2019 cost of the Proposed Project.

Table 9-1
Proposed Project and Alternatives
Stage 1 Capex and NPV (\$ million)

Line #	Description	Near Term (1)		Long Term (2)	
		Capex (a)	NPV (b)	Capex (c)	NPV (d)
1	Proposed Project (NPS 20)	105.7	(59.2)	216.4	(128.0)
Potential Alternatives					
2	Alternative 1: NPS 16	99.8	(54.3)	291.5	(156.7)
3	Alternative 2: 115 TJ Ojibway Supply + Pipe(s)	100.2	(147.2)	386.0	(310.9)
4	Alternative 3: Panhandle NPS 36 + Distribution Reinforcement	131.8	(78.0)	418.6	(221.7)
5	Alternative 4: 2019 Distribution Reinforcement, 2020 Kingsville NPS 20	119.3	(70.9)	230.0	(139.7)
Other Alternatives Considered					
6	LNG	150	NA		
7	CNG	102	NA		
8	Kingsville NPS 12	NA			
9	Kingsville NPS 24	NA			
Comparison of Proposed vs Potential					
10 = Line 1 - 2	NPS 20 vs NPS 16	5.9	(4.9)	(75.1)	28.7
11 = Line 1 - 3	NPS 20 vs 115 TJ Ojibway Supply	5.5	88.0	(169.7)	182.9
12 = Line 1 - 4	NPS 20 vs Panhandle NPS 36 + Distribution Reinforcement	(26.1)	18.8	(202.2)	93.8
13 = Line 1 -5	NPS 20 vs 2019 Distribution Reinforcement + NPS 20 in 2020	(13.6)	11.7	(13.6)	11.7

Notes

- (1) Near term means Capex 2019 to end of 2025 for Line 1, 2 and 5
Near term means Capex 2019 to end of 2024 for Line 3, 4
(2) Long term means Capex from 2019 thru 2036

All cases use only the transmission revenue attributed to the capacity of the NPS 20 pipeline; refer to Exhibit A, Tab 9, Schedule 3.
The NPV over the longer term is not recognizing additional transmission revenue for future capacity additions.

The revenue element is common to all cases so the difference is moot between cases.
It is only the cost that provides the differences in NPV.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #2

Reference: Evidence Exhibit A, Tab 6, page 8, lines 4-7 and page 10, lines 4-12

Preamble:

Union included the impact of its DSM activities on in-franchise customers in the Design Day requirements. Long-term impacts related to the Cap-and-Trade program have not been incorporated into the demand forecast.

Question:

Please summarize the rationale for Union's approach to DSM and Cap-and-Trade program impacts in determining the Design Day demand and long-term demand forecast.

Response:

The Design Day Demand is calculated from historical customer demands which reflect the impact of existing DSM programs. The Design Day Demand is recalculated each year to ensure inclusion of DSM program trends and other energy conservation measures, such as improved building codes and replacement of natural gas-fired equipment with higher efficiency equipment. The potential to include future DSM impacts on long-term Design Day Demand forecasting is being studied as part of the Natural Gas Integrated Resource Planning study. Cap-and-Trade was a new program in 2017. Therefore, at this time there is insufficient data to incorporate changes (if any) to customers' gas consumption when assessing Design Day Demand and long-term demand forecasts.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #3

Reference: Evidence Exhibit A, Tab 8, “Proposed Facilities and Alternatives”, Schedule 1
“Kingsville Reinforcement Project Summary of Alternatives” pages 1-2

Preamble:

The four Potential Alternatives to the proposed reinforcement project have been summarized in Tab 8, Schedule 1 of the evidence. The in-service date for the alternatives and the proposed reinforcement is assumed to be November 1, 2019, with the exception of Alternative 3, for which the in-service date is assumed to be November 1, 2020.

Question:

Please provide information in the same format as in Tab 8, Schedule 1, for the proposed reinforcement and the four Potential Alternatives with a November 1, 2020 in-service date assumed. Please include any incremental costs for distribution facilities that that Union has said would be required if the in-service date were in 2020 rather than 2019.

Response:

To avoid confusion with new values and descriptions, Union has chosen not to re-create Exhibit A, Tab 8, Schedule 1.

The preamble indicates a possible misunderstanding of Exhibit A, Tab 8 and its Schedule 1. To clarify, at Section 4.4 of Exhibit A, Tab 8, p.13 (reproduced below), Union stated that a delay of the Project from 2019 to 2020 would require distribution facilities at a cost of \$10.4 million. This should be read such that the Project and all alternatives that are delayed to 2020 will require the same \$10.4 million distribution facilities. Specifically, Alternatives 1 and 2, if delayed to 2020, would require the \$10.4 million distribution reinforcement in 2019. Alternatives 3 and 4 are already 2020 in-service.

4.4 Distribution System Reinforcement

Reinforcing the distribution systems in 2019 would allow the Project [emphasis added] to be delayed one year to 2020. The reinforcement identified results in a capital cost of approximately \$10.4 million and does not create any increased capacity on the Panhandle System. The \$10.4 million consists of 4 distribution projects totalling 3.8 km

of NPS 12 and 1 km of NPS 8. The Project as proposed would need to be constructed in 2020 based on the forecasted Panhandle System demand growth and once in- service, the distribution system reinforcement facilities are no longer required and are no longer beneficial to the distribution system capacity.

The Proposed Project and Alternative 4 include the same NPS 20 pipeline constructed in 2019 and 2020 respectively. The reference to “in-service in 2019” in Alternative 4 relates to the NPS 12 and NPS 8 distribution facilities, as described in the narrative of the column titled “Facility Requirements”. The NPS 20 pipeline would then be constructed for 2020 in-service. Alternative 4 shows that delaying the Proposed Project to 2020 in-service results in a capital cost of \$119.3 million. This is an increase in capital costs of \$13.6 million compared to the Proposed Project. This difference is comprised of inflation on the NPS 20 project cost plus the \$10.4 million distribution facilities.

Alternative 1 includes an NPS 16 pipeline from the NPS 20 Panhandle pipeline to Kingsville constructed in 2019. As set out in Exhibit B.Staff.1 b), the capital cost inflation assumption is 3% per year. Delaying Alternative 1 (NPS 16) by one year from 2019 to 2020 would increase the cost by about \$3 million, and would require distribution facilities of \$10.4 million in 2019 (the same facilities that would be required if the NPS 20 were delayed by one year). A one-year delay of the NPS 16 would therefore lead to incremental capital costs of approximately \$13.4 million compared to Alternative 1.

Alternative 2 (55TJ @ Ojibway) delayed until 2020 requires the same \$10.4 million distribution facilities in 2019 referenced above.

Alternative 3 includes a NPS 36 Panhandle loop from Dover Transmission toward Comber in 2020, plus NPS 12 distribution reinforcement in 2019. There would be no change as this alternative already represents a 2020 in-service.

Given the above clarifications, in Union’s view it is not necessary to re-create Exhibit A, Tab 8, Schedule 1 because the \$10.4 million is constant for the alternatives that would be delayed to 2020.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #4

Reference: Evidence Exhibit A, Tab 9 “Project Costs and Economics” page 1, lines 11-12 and Schedule 9

Preamble:

A high level total estimate of pipeline and station costs is included in the evidence with the proposed in-service date of 2019.

Question:

Please provide the estimate of total construction costs in the format of Schedule 1, Tab 9 assuming a 2020 in-service date. Please include any incremental costs for distribution facilities that Union indicated would be required for a 2020 in-service date.

Response:

Exhibit A, Tab 9, Schedule 1 provides the 2019 Project costs of \$105.7 million. The table below provides the estimate of total construction costs of \$119.3 million to construct the NPS 20 reinforcement in 2020 plus the incremental costs for distribution facilities required in 2019.

2019 Distribution Facilities			
	Mainline	Station	Total
Materials	\$ 519,015	-	\$ 519,015
Construction and Labour	\$ 8,190,513	-	\$ 8,190,513
Contingencies	\$ 1,741,906	-	\$ 1,741,906
Interest During Construction	-	-	-
Total Estimate Capital Costs – 2019 Construction	\$ 10,451,434		\$ 10,451,434
2020 Kingsville Transmission Reinforcement Project			
	Mainline	Station	Total
Materials	\$ 5,679,420	\$ 2,276,300	\$ 7,956,750
Construction and Labour	\$ 79,224,510	\$ 6,194,420	\$ 85,418,930
Contingencies	\$ 12,735,950	\$ 1,271,020	\$ 14,005,940
Interest During Construction	\$ 1,371,960	\$ 133,900	\$ 1,505,860
Total Estimate Capital Costs – 2020 Construction	\$ 99,011,840	\$ 9,875,640	\$ 108,887,480
Total Estimate Capital Costs – 2019 & 2020 Construction			\$119,338,914

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #5

Reference: Evidence Exhibit A, Tab 12 “Environmental Matters”; Schedule 1 “Environmental Report”; Schedule 3: “Summary of Comments (to be filed when received)”

Preamble:

An Environmental Report (ER) was prepared by Stantec Consulting Limited (Stantec) in accordance with the requirements of the *OEB Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario* (OEB Environmental Guidelines). The ER was provided to members of the Ontario Pipeline Coordinating Committee (OPCC) for review and comments. Union Gas stated in its application that it would file OPCC and other public and agency consultation comments with the OEB as they are received.

Question:

Please file a summary of comments and concerns received from the public consultation and the OPCC review (including any updates), as well as Union Gas’ responses and planned actions to mitigate each of the issues and address each of the concerns.

Response:

An OPCC Review Summary can be found at Attachment 1. This document will update Exhibit A, Tab 12, Schedule 2.

OPCC Summary

Kingsville Transmission Reinforcement Project

RECORD	STAKEHOLDER	COMMENT SUMMARY	RESPONSE SUMMARY
1	<ul style="list-style-type: none"> • Shereen Smithanik, Senior Policy Advisor, Ministry of Energy • Email dated December 22, 2017 	Acknowledged receipt of the ER and noted comments will be submitted by March 1, 2018.	<ul style="list-style-type: none"> • No response required.
2	<ul style="list-style-type: none"> • Sally Renwick, Team Lead, Environmental Planning, Ministry of Natural Resources and Forestry • Email dated January 3, 2018 	<p>Requested to be removed from the mailing list for Kingsville Transmission Reinforcement Project. Noted MNRF comments will come from Aylmer District.</p> <p>The ER was forwarded to Aylmer MNRF Office.</p>	<ul style="list-style-type: none"> • Mark Knight, Stantec • Email dated January 3, 2018 <p>Noted the ER was sent to Mitch Wilson and Laura Werner. Future circulation will be sent to Aylmer District office.</p>
3	<ul style="list-style-type: none"> • Joe Vecchiolla, Policy Lead, Ministry of Infrastructure • Email dated January 4, 2018. 	Acknowledged receiving the ER and requested digital access to share with colleagues.	<ul style="list-style-type: none"> • Mark Knight, Stantec • Email dated January 4, 2018. <p>Provided link to the Environmental Report on Union Gas' webpage available to download.</p>
4	<ul style="list-style-type: none"> • Glen Dresser, member of the public • Email dated January 4, 2018 	Inquired if a route map was available on a website.	<ul style="list-style-type: none"> • Mark Knight, Stantec • Email dated January 8, 2018. <p>Provided a property-specific map for Mr. Dresser.</p>
5	<ul style="list-style-type: none"> • Tony DiCiocco, Manager, Engineering Services 	Noted crossings of high interest to the Town. Requested detailed designed drawings, information on construction access, and information on potential impacts to the local municipal road system.	<ul style="list-style-type: none"> • Mark Knight, Stantec • Letter dated February 6, 2018. <p>Acknowledged crossings of</p>

	<p>Divison, Town of Lakeshore</p> <ul style="list-style-type: none"> Letter Dated January 5, 2018 	<p>Required confirmation the project will fall under the Franchise Agreement between Union Gas and the Town of Lakeshore.</p>	<p>high interest to Town of Lakeshore. Indicated detailed design drawings, information on construction access, and information on project interactions will be provided.</p> <p>Confirmed the project falls under the Franchise Agreement between Union Gas and the Town of Lakeshore</p>
6	<ul style="list-style-type: none"> Allan Hodgins, Corridor Management Officer, Ministry of Transportation of Ontario Email dated January 10, 2018. 	<p>Acknowledged MTO has received the ER. Noted MTO has had correspondence with Union Gas regarding the proposed pipeline.</p> <p>Noted main concern is that MTO is in preliminary design to twin Highway 3, and design has not progressed enough to ensure the proposed pipeline will not limit/impact MTO. Provided a list of requests.</p>	<ul style="list-style-type: none"> On-going consultation and meetings have occurred between the MTO and Union Gas.
7	<ul style="list-style-type: none"> Kourosh Manouchehri, Engineer, Technical Standards and Safety Authority Email dated January 29, 2018. 	<p>Acknowledged receiving ER. Noted a Service Request is required in the form of an engineering consultation application to begin the review process.</p> <p>Noted a brief review of the ER did not provide any technical data related to the project. Noted the technical specifications of the pipeline are required.</p>	<ul style="list-style-type: none"> Application submitted January 30, 2018. Letter dated April 9, 2018 from Mr. Manouchehri acknowledged the application, noted the project met the required design criteria, and that analysis of a high consequence area will be submitted to the TSSA for review [once engineering is complete].
8	<ul style="list-style-type: none"> Shereen Smithanik, Senior Policy Advisor, Ministry of Energy Email dated February 15, 2018 	<p>Acknowledged receiving the reminder email for comments. No comment so far but noted the Ministry of Energy is assessing the Indigenous Consultation Report (ICR) submitted by Union Gas on January 25, 2018. Suggested they will have their opinion on the ICR concluded within 6-week timeframe after receiving the report.</p>	<ul style="list-style-type: none"> Letter dated March 5, 2018 from Emma Sharkey of the Ministry of Energy confirmed the consultation undertaken as satisfactory.
9	<ul style="list-style-type: none"> Linda Pim, Ministry of Agriculture, 	<p>Noted Linda Pim is no longer working with OMAFRA.</p>	<ul style="list-style-type: none"> No other OMAFRA contact identified as a member of the OPCC.

	<p>Food and Rural Affairs</p> <ul style="list-style-type: none"> Email dated February 15, 2018 		
10	<ul style="list-style-type: none"> Tony Di Fabio, Team Lead, Ministry of Transportation Email dated February 16, 2018. 	<p>Noted no specific concerns with the ER Report. Acknowledged that West Region Highway Corridor Management are in discussion with Union Gas, and West Region Planning and Design are looking into future design considerations for Highway 3.</p> <p>Noted Permit Approvals will be contingent on determining the final/optimal location and depth of the proposed pipeline, that will not create conflicts or encumbrances to the proposed highway widening in the future process.</p>	<ul style="list-style-type: none"> No response required.
11	<ul style="list-style-type: none"> Patrick Grace, Director, Land Transactions, Infrastructure Ontario Email dated February 20, 2018. 	<p>Noted Infrastructure Ontario is aware of the project, and in contact with Union Gas.</p> <p>Noted the lands impacted by the project are Hydro One Transmission Corridors owned by MOI. Hydro One has informed IO that Union Gas's proposal for work on IO lands is forthcoming.</p>	<ul style="list-style-type: none"> No response required.
12	<ul style="list-style-type: none"> Marion-Frances Cabral, Planner, Ministry of Municipal Affairs – Municipal Services Office - West Email dated February 20, 2018. 	<p>No comments regarding ER. Requested continue working with MNRF, MTCS, MOECC, and MTO. Requested communication as the project progresses.</p>	<ul style="list-style-type: none"> No response required.
13	<ul style="list-style-type: none"> Brooke Herczeg, Heritage Planner, Ministry of Tourism, Culture and Sport 	<p>Acknowledged receiving the ER and the Stage 1 Archaeological Assessment. Provided comments on the Cultural Heritage Assessment Report (CHAR).</p>	<ul style="list-style-type: none"> Mark Knight, Stantec Letter dated April 16, 2018. <p>Noted the CHAR was provided to the MTCS on January 24, 2018, and that archaeology revisions were provided to the MTCS on</p>

	<ul style="list-style-type: none"> Email with letter attached dated March 2, 2018. 		March 8, 2018.
14	<ul style="list-style-type: none"> Corrine Chiasson, Resource Planner, Essex Region Conservation Authority Email with letter attached dated March 2, 2018. 	Acknowledge receiving Environmental Report and support the identified Preferred Route. Provided comments on natural hazards management, watershed management, and natural heritage and natural heritage systems planning.	<ul style="list-style-type: none"> Mark Knight, Stantec Letter dated April 16, 2018. <p>Responded to ERCA comments on the Environmental Report, providing clarifications in regards to watercourse crossing methods, soil stockpiling, refueling and tree clearing.</p>

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #6

Reference: Evidence Exhibit A, Tab 13 with Schedules: “Land Matters”

Preamble:

Union indicated that it will acquire approximately 93 acres of new permanent easements (PE) and approximately 82 acres of Temporary Land Use (TLU) rights for the project. TLU rights are needed for construction and top soil storage during construction.

The Project requires 51 PEs, 51 TLUs and two fee simple land rights. At the time of filing the application, Union had secured options for 41 PEs, 42 TLUs and two fee simple purchases. Union also indicated that the negotiations with landowners were underway and would continue.

According to section 97 of the *Ontario Energy Board Act, 1998* (OEB Act), “In an application under section 90, 91 or 92, leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board.” Union Gas stated that it has offered or will offer to all the affected landowners a form of easement agreement that has been approved by the OEB in Union’s Panhandle System Reinforcement Project,¹ which is included in Tab 13, Schedule 3 of the evidence.

Questions:

- a) What is the current status and prospect of negotiations with all the landowners of properties where PEs and TLUs are needed?
- b) What is the status of the crossing permits and other approvals Union Gas needs to complete the construction of the project?

Responses:

- a) All permanent easements and temporary land use rights have been obtained from all but three landowners on the Proposed Project. The status of the three outstanding sets of land rights is as follows:

1. Property K20 – Union has agreed with the landowner to purchase this property in fee simple. The parties are currently negotiating the terms of the agreement of purchase and sale.
 2. Property K44 – Negotiations are ongoing with the landowner.
 3. Property K18 – Negotiations with the landowner are not progressing. However, Union will continue to contact the landowner and make itself available to negotiate an agreement with the landowner. In order for Union to obtain access to the property to complete the pre-construction, environmental and archaeological surveys, Union has filed an application for Early Access to this land (EB-2018-0167).
- b) Early outreach has taken place and consultation is ongoing with all agencies and all municipalities in which permits are required. Early access agreements have been received from agencies for preconstruction activities. Environmental field surveys supporting permit applications began in late April 2018. Union expects to have all necessary permits in place prior to construction.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #7

Reference: Evidence Exhibit A, Tab 14 “Indigenous and Metis Nations Consultation”, Schedule 1: “Indigenous Consultation Report”, Schedule 2, pages 1-2” Letter from the Ministry of Energy, dated March 5, 2018

Preamble:

The 2016 edition of the *OEB Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario* (OEB Environmental Guidelines) sets out procedures and protocols for Indigenous consultation and the duty to consult on natural gas pipeline projects that are subject to the OEB’s approval. Union Gas is required to adhere to these procedures and protocols and to file the required documentation with the OEB as part of its evidence in support of its application.

Union filed an Indigenous Consultation Report (ICR) as part of its evidence. The evidence includes a consultation sufficiency opinion letter by the Ministry of Energy (MOE) dated March 5, 2018. The MOE indicated in its letter that it has reviewed the ICR and that it is expected that Union will continue its consultation activities and will notify the MOE if new issues arise.

Question:

Please provide an update on Indigenous consultation activities since March 5, 2018. Identify any additional concerns and issues raised after the ICR was completed and describe actions that Union is committed to undertake to address any new concerns or issues.

Response:

Since completing the Indigenous Consultation Report in January 2018 Union has continued to have discussions with the Aamjiwnaang First Nation, Bkejawnong (Walpole Island) First Nation, Caldwell First Nation, Chippewas of the Thames First Nation and Oneida Nation of the Thames. No issues were identified during these discussions and Union will continue to discuss the Project with these groups throughout the planning and construction process.

Attachment1 is a summary of the consultation activities that have taken place since the original Indigenous Consultation Report was prepared.

Update to Indigenous Consultation Activities

Aamjiwnaang First Nation			
Date	Activity	Issues raises	Outcome
Apr 5/18	Email to Sharon Johnston from Stantec Parker Dickson	Email advising date of commencement of the Stage 2 assessment work on Kingsville project.	
Bkejawnong (Walpole Island) First Nation			
Date	Activity	Issues raises	Outcome
Apr 5/18	Email to Dean Jacobs and Janet MacBeth from Parker Dickson at Stantec	Email advising date of commencement of the Stage 2 assessment work on Kingsville project.	
Caldwell First Nation			
Date	Activity	Issues raises	Outcome
Feb 27/18	Spoke to new Chief Mary Duckworth about the project	Chief advised that they were working on a new consultation protocol and would forward when complete.	
Mar 15/18	Telephone call to Chief Duckworth	Chief stated that they were still working on the consultation protocol and it would be completed within the week and would forward it over	
Apr 5/18	Email to Ian Duckworth and Nikki Orosz from Stantec Parker Dickson	Email advising date of commencement of the Stage 2 assessment work on Kingsville project.	
Apr 19/18	Telephone call with Darryl Vanoirschot	Spoke with Darryl and he stated that the consultation protocol has not been completed yet. Would forward when complete.	
Chippewas of the Thames First Nation			
Date	Activity	Issues raises	Outcome
Apr 5/18	Email to Rochelle Smith from Stantec Parker Dickson	Email advising date of commencement of the Stage 2 assessment work on Kingsville project.	
May 8/18	Email received from Rochelle Smith	Following up on conversations in April to set up meeting, provided date of May 17 or 18 to meet to discuss Kingsville Project status.	Meeting confirmed for May 18.

Oneida Nation of the Thames			
Date	Activity	Issues raises	Outcome
Mar 2/18	Meeting with Councillor Brandon Duxtator at Oneida First Nation Political Office	<p>Ken McCorkle consulted with Brandon on the Kingsville project which included a slide deck that was left with him.</p> <p>All aspects of the project were discussed which included need for the project, who would be served, soil conditions, SAR, heritage culture, tree planting, construction practises, safety practises, road allowance, easements, permits required etc.</p> <p>The following was agreed upon: 1) Union will provide a copy of the Environmental Report 2) Union will provide an electronic copy of the slide deck 3) Union will make arrangements with Mr. Duxtator to have four students involved with Environmental studies to tour one of Union's construction sites to see firsthand a project in action that relates to their field of study.</p>	<p>Union agreed to stay in contact and will follow up as necessary with emphasis that Union has an open door policy for any questions or information that the Chief and Council, or any Community member, may have.</p> <p>Union provided the Oneida Nation of the Thames with a copy of the Environmental Report and the slide deck .</p>
Mar 19/18	Email to Brandon Duxtator from Ken McCorkle	Email provided Brandon Duxtator with a copy of the presentation of March 2.	No further action required.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Interrogatory #8

Reference: Application EB-2018-0013

Preamble:

Union has applied for an OEB order granting leave to construct facilities under section 90(1) of the OEB Act.

Question:

Please comment on the following proposed draft conditions of approval prepared by OEB staff. Please note that these conditions are draft and subject to additions or changes.

**LEAVE TO CONSTRUCT CONDITIONS
OF APPROVAL APPLICATION UNDER
SECTION 90 OF THE OEB ACT UNION
GAS LIMITED
EB-2018-0013**

1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the Board's Decision and Order in EB-2018-0013 and these Conditions of Approval.
2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.

(b) Union shall give the OEB notice in writing:
 - i. of the commencement of construction, at least ten days prior to the date construction commences;
 - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
 - iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
 - iv. of the in-service date, no later than 10 days after the facilities go into service.
3. Union shall implement all the recommendations of the Environmental Protection Plan filed in the proceeding, and all the recommendations and

directives identified by the Ontario Pipeline Coordinating Committee review.

4. Union shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.
5. Concurrent with the final monitoring report referred to in Condition 6(b), Union shall file a Post Construction Financial Report, which shall indicate the actual capital costs of the project and shall provide an explanation for any significant variances from the cost estimates filed in this proceeding. Union shall also file a copy of the Post Construction Financial Report in the proceeding where the actual capital costs of the project are proposed to be included in rate base or any proceeding where Union proposes to start collecting revenues associated with the project, whichever is earlier.
6. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
 - (a) a post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe any impacts and outstanding concerns identified during construction;
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction
 - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.
 - b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:

- i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;
- ii. describe the condition of any rehabilitated land;
- iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts construction;
- iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
- v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.

Response:

Union accepts the Draft Proposed Conditions of Approval prepared by OEB Staff.

UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Reference: Exhibit A, Tab 10, page 5

Preamble:

In Table 10-1, Union provides an illustrative ICM threshold calculation for 2019 based on its 2013 Board approved rate base and depreciation expense.

Questions:

- a) Please restate Table 10-1 using Union's forecast value for actual 2019 rate base and depreciation expense (i.e. assuming that the OEB were to require Union to adopt an updated 2019 opening rate base to include capital investments made during the 2013 through 2018 period net of depreciation during this period).
- b) Please update the discussion following the table in light of the restated Table 10-1, to illustrate Union's ability to absorb the proposed project investment in light of the restated 2019 rate base and depreciation expense.

Response:

This question is outside the scope of this proceeding. In a letter to Union dated February 27, 2018, the Board decided that the request to recover the Project's net revenue requirement for 2019 to 2028 through the use of an Incremental Capital Module ("ICM") was premature. The Board stated that *"without an understanding of Union Gas' capital plans, the OEB will not be able to determine if the ICM materiality threshold has been exceeded. Accordingly, the OEB will not hear Union Gas' proposal to recover the costs associated with the Project through the ICM at this time."*

UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Interrogatory #2

Reference: Exhibit A, Tab 10, pages 8 *et seq.* and Table 10-4; EB-2016-0186, Exhibit A, Tab 8, pages 6 *et seq.*

Preamble:

In its recent Panhandle reinforcement application Union proposed to allocate the costs of that reinforcement project based on design day demands on the panhandle system. The OEB rejected that proposal, but the decisions in that case and Union's 2018 rate application both contemplate that Union will revisit this (and other) cost allocation issues in advance of setting 2019 rates. Union has indicated that it intends to revisit the issue of allocation of Panhandle and St. Clair system costs as part of its 2019 rate application.

Questions:

- a) Please restate Table 10-4 assuming bill impacts of recovery of project costs in accord with the cost allocation methodology proposed by Union in EB-2016-0186 in respect of its recently approved Panhandle expansion project.
- b) Please restate Exhibit A, Tab 10, Schedule 4 assuming 2021 cost allocation impacts of recovery of project costs in accord with the cost allocation methodology proposed by Union in EB-2016-0186 in respect of its recently approved Panhandle expansion project.
- c) Would Union agree that allocating the costs of the instant project in the same manner as allocating the costs of the recently approved (EB-2016-0186) project would be appropriate? If not, please explain fully why not.

Response:

The portion of this question that deals with the request to recover the Project's net revenue requirement through the use of an Incremental Capital Module ("ICM") is outside the scope of this proceeding. In its letter dated February 27, 2018, the Board decided that it would "*not hear issues related to the recovery of project costs through an ICM mechanism at this time.*"

In response to the cost allocation issues raised in this question, the Project assets will be recorded as an Other Transmission asset in the plant accounting records. Union's Board-approved cost allocation methodology allocates Other Transmission Demand costs to Union South in-franchise

rate classes in proportion to Union South in-franchise firm Design Day demands. This allocation methodology is different than the Board-approved cost allocation methodology for Ojibway/St. Clair Demand costs that impacted the Panhandle Reinforcement Project (EB-2016-0186) costs. Union does not expect that changes to the cost allocation of the Panhandle or St. Clair System would impact the cost allocation of the Project.

UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Interrogatory #3

Reference: Exhibit A. Tab 8, "*Summary of Alternatives*" Table.

Preamble:

The distribution system reinforcement which Union explains would be required in 2019 to serve customers if the proposed NPS 20 project were delayed would have a capital cost of \$119.3 million.

Questions:

- a) Please explain how the net (of incremental distribution revenue) costs of such a distribution reinforcement would be recovered.
- b) Please clarify whether there are distribution system reinforcement requirements remaining if the proposed NPS 20 project is approved. If so please;
 - (i) detail these requirements and their associated costs;
 - (ii) clarify what, if any, approvals Union is requesting, or will request in future, in respect of these remaining distribution system reinforcement requirements and their associated costs; and
 - (iii) explain how the net (of incremental distribution revenue) incremental distribution system reinforcement costs are to be recovered.

Response:

The preamble incorrectly states that the 2019 distribution reinforcement would have a capital cost of \$119.3 million. The distribution reinforcement that is avoided in 2019 is \$10.4 million if the NPS 20 project is built in 2019 as proposed. If it is delayed until 2020, then the \$10.4 million distribution reinforcement facilities are required in 2019 to meet demands.

The figure of \$119.3 million is the proposed NPS 20 project inflated at 3% from 2019 to estimate a 2020 construction cost, plus the \$10.4 million distribution reinforcement for 2019. Please see the responses at Exhibit B.Staff.3 and Exhibit B.Staff.4 for more information.

- a) If the Project is deferred to 2020, Union would seek ICM recovery for the \$10.4 million Project (provided that it is within the ICM threshold requirements). If the cost did not meet the ICM threshold requirements, a cost of service application following the deferred rebasing period would provide the first opportunity to recover in rates the net capital associated with the Project.
- b) (i) If the Project is approved there are two distribution system reinforcement projects required:
- 1350m of NPS 8 pipeline along Graham Side Road from County Road 18 to County Road 34 at an estimated cost of \$1.87 million; and
 - 660m of NPS 10 pipeline along County Road 2 E from Peterson Line to Union Avenue, with a new distribution station located at Union Avenue and County Road 2 E, at an estimated cost of \$2.8 million (\$1.5 million for the pipeline and \$1.3 million for the station).
- (ii) Union will not be requesting OEB approval for these two projects, because they do not meet the threshold for a Leave to Construct Application. Union will obtain standard municipal consents and environmental approvals as it does with all distribution projects.
- (iii) This is regular distribution business and a cost of service application following the deferred rebasing period will provide the first opportunity to recover in rates the net capital associated with the Project.