

Interrogatory Responses to Union Gas Limited "Union Gas"

Union Gas Interrogatory 1

Reference: Nipigon LNG Application, page 1, paragraph 1

"Nipigon LNG Corporation ("Nipigon LNG") is the general partner for Nipigon LNG LP. Nipigon LNG was formed under the laws of the Province of Ontario, with its head office at 150 Connie Crescent, Unit 4, Concord, Ontario. It is a special purpose entity created for the sole purpose of conducting the business and affairs associated with the Nipigon LNG Project, a project approved by the Ontario Ministry of Infrastructure under the Natural Gas Grant Program."

Questions:

- a. **Please provide details of the approval of the Nipigon LNG project under the Natural Gas Grant Program (NGGP) as well as a copy of the NGGP application.**

Response:

In July 2017, Northeast Midstream filed an application with the Ministry of Infrastructure (the MOI) for funding of the Nipigon LNG Project (the Project) under the Natural Gas Grant Program (NGGP).

In December 2017, MOI informed Northeast Midstream that the Project had been selected for approval under the Natural Gas Grant Program.

Between January 2017 and February 2018, the Northeast Midstream proposal underwent a thorough review by MOI in cooperation with Infrastructure Ontario on technical and financial feasibility. This review addressed risks associated with the Project's design, delivery, financing, operability and safety, based the NGGP application and supplemental information provided by Northeast Midstream.

In February 2018, after the thorough review, it was concluded that: (1) the Project is likely to be successfully constructed and operated; (2) Northeast Midstream has the technical and financial capacity to complete the Project, and (3) the strategy and risk mitigations regarding the Project's design, delivery, financing, operations and safety are sound.

In March 2018, Northeast Midstream formed Nipigon LNG as a special purpose entity to perform the Project.

In April 2018, the MOI and Nipigon LNG executed a Transfer Payment Agreement for the Project.

The NGGP application, the review, the TPA, and supporting documents and exhibits are confidential documents that contain commercially sensitive information. In accordance with section 27 of the Ontario Energy Board's Rules of Practice and Procedure, Nipigon LNG declines to provide any such confidential and commercially sensitive information, as requested by Union Gas, for the following reasons:

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1. The public interest requirement of this Application has been met by the approval of NGGP funding by the MOI.
2. Public disclosure of confidential and commercially sensitive information regarding the Project, such as financial projections, marketing plans, customer lists, location of potential customers, expert reports, funding contracts, and commercial feasibility studies have no bearing on this Application and would irreparably damage the commercial interests of Nipigon LNG.
3. The provision of LNG services in Ontario is a competitive business as is the expansion of access to natural gas to new customers.¹ Nipigon LNG's primary competitor is Union Gas, which is significantly larger than Nipigon LNG and owns and operates a potentially competitive LNG facility in Hagar, Ontario. Union Gas continues to market LNG services under an unregulated regime.² Union Gas also has the capacity to work both directly and through unregulated affiliates to evaluate and build natural gas facilities throughout Ontario, which represent potential competitive threats to Nipigon LNG and its affiliates.³
4. It is entirely possible that Union Gas is requesting disclosure of our confidential and commercially sensitive information in order to share this information with Union Gas's affiliates, collaborators, partners or customers and serve the private interests of its parent company, Enbridge.
5. Furthermore, Nipigon LNG is concerned that Union Gas, and its parent Enbridge, might use our commercially sensitive information to exploit its market power to frustrate, delay or deny Nipigon LNG access to new natural gas facilities and create insurmountable barriers for Nipigon LNG.
6. Our concerns about the abuses of market power by Union Gas have become more grave as Enbridge announced it will move forward with the amalgamation of Enbridge Gas Distribution and Union Gas, effective January 1, 2019. The single Enbridge utility will control access to virtually every natural gas consumer in Ontario. Its customer base will be almost three times the customer base of Hydro One.
7. Providing confidential and commercially sensitive information regarding the Application and Nipigon LNG to the new Enbridge mega utility would not be consistent with the OEB's objectives

¹ See EB-2014-0012. Decision, Hagar Liquefaction Rate Case and EB-2016-0004. Decision, Generic Hearing on Natural Gas Expansion.

² "The Hagar facility is located near the TransCanada Highway #17, between North Bay and Sudbury. The location expects to produce, _____ for sale, between 500 and 700 bulk tank truckloads of LNG a year." See <https://www.uniongas.com/business/alternative-energy-solutions/liquified-natural-gas>.

³ See Union Energy Solutions. "Union Energy Solutions Announces Contractual Agreement with Clean Energy Fuels for the Construction of CNG Fuelling Stations along Ontario's Highway 401." April 19, 2018.

<https://www.newswire.ca/news-releases/union-energy-solutions-announces-contractual-agreement-with-clean-energy-fuels-for-the-construction-of-cng-fuelling-stations-along-ontarios-highway-401-680269373.html>.

Ross, Ian. "Gas provider inks delivery deals with mining companies." *Northern Ontario Business*. October 30, 2018. <https://www.northernontariobusiness.com/industry-news/mining/gas-provider-inks-delivery-deals-with-mining-companies-1102164>.

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under Section 2 of the *Ontario Energy Board Act*, the OEB's decision in the Hagar Liquefaction Rate Case (EB-2014-0012) or the OEB decision in the Generic Hearing on Natural Gas Expansion (EB-2016-0002). The provision of such information would not be in the public interest.

- b. Please provide details and documentation related to any Transfer Payment Agreement that has been executed between Northeast Midstream and the Province of Ontario and how much of this funding will be used on the proposed project associated with this application.**

Response:

The Transfer Payment Agreement is confidential and contains commercially sensitive information. Please see response to Union 1(a).

- c. Please provide the total capital cost proposed in the NGGP application, a list of the communities in which distribution systems will be installed, the expected number of distribution customers, and the amount of NGGP funding awarded.**

Response:

The total estimated capital cost of the Project, as proposed in the NGGP application, is \$54 million. The amount of the NGGP award is \$27 million. The Project does not include the construction of gas distribution systems within communities.

- d. Please confirm that no additional funding will be required from government, other gas distributors, or any other sources external to Nipigon LNG, to proceed with the project for which NGGP funding was awarded. If any other funding will be required, please provide details of the amount and timing.**

Response:

No additional funding will be required from government or other gas distributors to complete the Project.

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Union Gas Interrogatory 2

Reference: Nipigon LNG Application, page 1, paragraph 2

"The Project is a transformative and regionally significant initiative for the economic development of Northern Ontario. Project infrastructure will help sustain existing industrial operations, accelerate new development, and provide a platform to extend natural gas service where feasible to Northern and First Nation communities."

Question:

Please identify which industrial operations and First Nation communities Nipigon LNG or its affiliates intend to serve.

Response:

Nipigon LNG's lists of potential customers and their locations are confidential and commercially sensitive. Please see the response to Union 1(a).

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Union Gas Interrogatory 3

Reference: Nipigon LNG Application, page 1, paragraphs 3 and 4

"As part of the Project, Nipigon LNG is proposing to build and operate a liquefied natural gas ("LNG") production plant (the "LNG Plant") in Ledger Township, 22 kilometres north of Nipigon, Ontario. It is also proposing to construct a connecting pipeline approximately 500 metres in length and up to 8 inches in diameter (the "Connecting Pipeline") to obtain natural gas from the nearby TransCanada Mainline for liquefaction at the LNG Plant.

The proposed LNG Plant and most of the Connecting Pipeline will be located on a 160-acre property that is owned by Nipigon LNG in unorganized territories (not within the boundaries of any particular municipality) in the unincorporated Township of Ledger. The metes and bounds description of the property is South ½ Lot 12, Concession 4 Ledger; S/T LPA23462, District of Thunder Bay. The property is proximate to the TransCanada Mainline and approximately 22 kilometres north of Nipigon."

Questions:

- a. **Please confirm that none of the proposed facilities will be located within areas currently covered under Certificates of Public Convenience and Necessity held by Union Gas.**

Response:

In a letter to the National Energy Board (NEB), dated October 24, 2018, Union Gas confirmed that it does not currently hold any CPCN rights within the unorganized Township of Ledger nor does it have a franchise agreement for this area. Union also confirmed that "Union does not have plans to expand in this area."⁴

- b. **Please provide details of the metes and bounds area for the requested Certificate.**

Response:

The property description is South ½ Lot 12, Concession 4 Ledger; S/T LPA23462, District of Thunder Bay. The approximate corner co-ordinates are as follows:

49.1913 N, 88.2488 W
49.1913 N, 88.2376 W
49.1841 N, 88.2375 W
49.1841 N, 88.2488 W

⁴ Union Gas Limited's response to the NEB's request for comments, October 24, 2018. <https://apps.neb-one.gc.ca/REGDOCS/File/Download/3643732>.

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- c. Please confirm who the customers of Nipigon LNG will be, where they will be located and how they will be served.**

Response:

Nipigon LNG's lists of potential customers and their location are confidential and commercially sensitive. Please see the response to Union 1(a).

- d. Please explain why Nipigon LNG has not applied for Certificates that address proposed service areas.**

Response:

The Project does not include the construction of gas distribution systems.

- e. Please provide copies of any franchise agreements that have been agreed to with any municipalities Nipigon LNG or its affiliates intend to serve.**

Response:

Nipigon LNG does not hold any franchise agreements with any municipalities.

- f. Please provide a copy of Nipigon LNG's marketing plan.**

Response:

Nipigon LNG's marketing plans are confidential and commercially sensitive. Please see the response to Union 1(a).

- g. Please provide the expected daily LNG production capacity of the plant.**

Response:

The expected daily LNG production capacity of the LNG Plant is approximately 7,200 GJ per day.

- h. Please provide customer density maps for any areas expected to be served by Nipigon LNG.**

Response:

Other than the Connecting Pipeline described in the Application for which we have requested a Certificate, the Project does not include the construction of distribution systems.

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Union Gas Interrogatory 4

Reference: Nipigon LNG Application, page 2, paragraph 7

"Construction of the proposed Connecting Pipeline will take place in 2020 and cost approximately \$200,000. The design, installation and testing specifications will conform to the Canadian Standards Association (CSA) Z662-15 Oil and Gas Pipeline Systems Code and the requirements of Ontario Regulation 210/01 under the Technical Standards and Safety Act, 2000."

Reference: Nipigon LNG Application, page 3, paragraph 14

"The length of the Connecting Pipeline will be approximately 500 meters, the cost of building this short pipeline will be less than \$2 million and the nominal pipe size will be less than 12 inches. Therefore, construction of the proposed Connecting Pipeline does not require leave to construct pursuant to section 90(1) of the Ontario Energy Board Act."

Questions:

- a. In the absence of details that would be provided through a leave to construct application, please provide the maximum operating pressure, wall thickness and minimum yield strength for the proposed pipeline.

Response:

- Maximum Operating Pressure: 1440 psig
- Wall Thickness: 0.322"
- Specified Minimum Yield Strength: 35,000 psi

- b. Please provide details of any regulatory approvals that will be required related to planned distribution projects to be supplied by the plant.

Response:

Other than the Connecting Pipeline described in the Application for which we have requested a Certificate, the Project does not include the construction of gas distribution systems.

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Union Gas Interrogatory 5

Reference: Nipigon LNG Application, page 2, paragraph 7

"Completion of the Connecting Pipeline will require an agreement with TransCanada with whom Nipigon LNG is currently negotiating."

Questions:

- a. Please provide an update on negotiations with TransCanada.**

Response:

On October 12, 2018, for the reasons set out in an application by Nipigon LNG to the NEB, Nipigon LNG has requested orders for TransCanada to create an interconnection, delivery point, delivery service and tolls for Nipigon LNG as a direct connection customer.⁵

- b. Please provide details of any regulatory approvals that will be required related to meter stations and any related facilities associated with the TransCanada connection.**

Response:

Details related to meter stations and any related facilities associated with the TransCanada connection are subject to a ruling by the NEB in the proceeding described in Union 5(a).

- c. Under what TransCanada rate and/or service will Nipigon LNG be served or expected to be served? Please provide the applicable TransCanada contracts or rate schedules.**

Response:

Service terms are subject to a ruling by the NEB in the proceeding described in Union 5(a).

⁵ Application by Nipigon LNG Corporation ("NLNG") in its capacity as the general partner of Nipigon LNG LP, pursuant to Section 12, Section 13, Section 59, Subsection 71(2), Subsection 71(3) and Part IV of the NEB Act in respect of TransCanada Pipelines Limited ("TransCanada") and the TransCanada Mainline pipeline system (the "TransCanada Mainline"). Please see: <https://apps.neb-one.gc.ca/REGDOCS/Item/View/3619640>.

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Union Gas Interrogatory 6

Reference: Nipigon LNG Application, page 2, paragraph 8

"Nipigon LNG has the technical and financial capacity to build and operate the proposed Connecting Pipeline, with investment provided in part by the Ontario Ministry of Infrastructure through the Natural Gas Grant Program, subject to the duty to consult being satisfied and any necessary approvals being granted."

Questions:

- a. Please provide details on Nipigon LNG's technical capability and any previous experience in operating a gas transmission pipeline and responding to emergencies on such a pipeline.**

Response:

The technical capacity of Nipigon LNG to operate a short high-pressure pipeline and respond to emergencies on such a pipeline were thoroughly assessed by the MOI prior to the signing of the Transfer Payment Agreement.

- b. Please provide a copy of Nipigon LNG's emergency preparedness and response procedures as required by the Canadian Standards Association.**

Response:

Nipigon LNG's emergency preparedness and response procedures for the Project will be finalized only after the front-end engineering and design is complete, as the procedures are specific to the LNG Plant and Connecting Pipeline as they will be built.

- c. Please confirm that Union Gas will not be expected to provide emergency response support to Nipigon LNG.**

Response:

It is expected that Union Gas will not be available to provide emergency response support to Nipigon LNG, since the closest Union Gas office is in Thunder Bay, approximately 150 kilometers from the site of the proposed LNG Plant.

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Union Gas Interrogatory 7

Reference: Town of Marathon Letter Dated October 23, 2018

"AND WHEREAS Northeast, the Township of Manitouwadge and the four other North Shore communities have concluded a feasibility study with the support of the Northern Ontario Heritage Fund Corporation, and have identified next steps to execute the Project, including securing financing from the Government of Ontario and approvals from the OEB;

AND WHEREAS Northeast plans to apply for financial support from the Government of Ontario to construct and operate the Project and regulatory approvals from the OEB for the Project;"

Questions:

- a. Please provide a copy of the referenced feasibility study and details of the referenced next steps.**

Response:

The question refers to information regarding the North Shore Natural Gas Project provided by the Town of Marathon, not Nipigon LNG. Other than the Connecting Pipeline described in the Application for which we have requested a Certificate, the Project does not include the construction of gas distribution systems.

- b. Please provide details of the referenced regulatory approvals required from the OEB.**

Response:

Please see the response to Union 7(a).